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VOL. 3093

**United States Court of Appeals for the  
Ninth Circuit.**

See ALSO  
3092

No. 16132.

JAMES MOON ET AL.,  
PLAINTIFFS, APPELLANTS,

v.

CABOT SHOPS, INC., ET AL.,  
DEFENDANTS, APPELLEES.

**BRIEF FOR APPELLEES.**

LYON & LYON,  
CHARLES G. LYON,  
711 West Seventh Street,  
Los Angeles, California.

KENWAY, JENNEY, WITTER & HILDRETH,  
HERBERT P. KENWAY,  
GEORGE W. CROWLEY,  
24 School Street,  
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ADDISON C. GETCHELL & SON, INC., LAW PRINTERS, BOSTON.

**FILED**

MAR 23 1959



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# United States Court of Appeals for the Ninth Circuit.

No. 16132.

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JAMES MOON ET AL.,  
PLAINTIFFS, APPELLANTS,

*v.*

CABOT SHOPS, INC., ET AL.,  
DEFENDANTS, APPELLEES.

---

## BRIEF FOR APPELLEES.

Appellees have given a general outline of the case on appeal in their brief as cross-appellants, which brief deals principally with the issue of validity of the patent in suit. It is the purpose of this brief to present appellees' position with respect to the matter of infringement and in support of the holding by the District Court of non-infringement.

In discussing the issue of infringement we prefer to state appellees' position positively rather than respond in detail to appellants' brief.

### **The Gist of Appellees' Position on Infringement.**

When Moon filed his application for patent, he sought broadly to claim a portable telescoping derrick so mounted on a vehicle that it pivoted, from horizontal road position to vertical operating position, about a hinge disposed at the forward, or driver's, end of the truck. For five years the Patent Office flatly refused to grant a patent of such

breadth, asserting, quite properly, that it did not amount to patentable invention merely to transpose the parts of the well-known prior art portable derricks, merely hinging the derrick at the front of the truck rather than at the rear as had been customary. Finally Moon accepted a patent specifically limited to an arrangement in which the legs of the derrick straddle the driver's position. That simply means that, when you sit in the driver's seat and look out the side windows of the cab, you see two derrick legs at one side of the cab and two other legs at the other side. In defendants' accused structures the legs of the derrick are all out ahead of the driver's position, the hinge being disposed, not over the driver's head, but out in front of him.

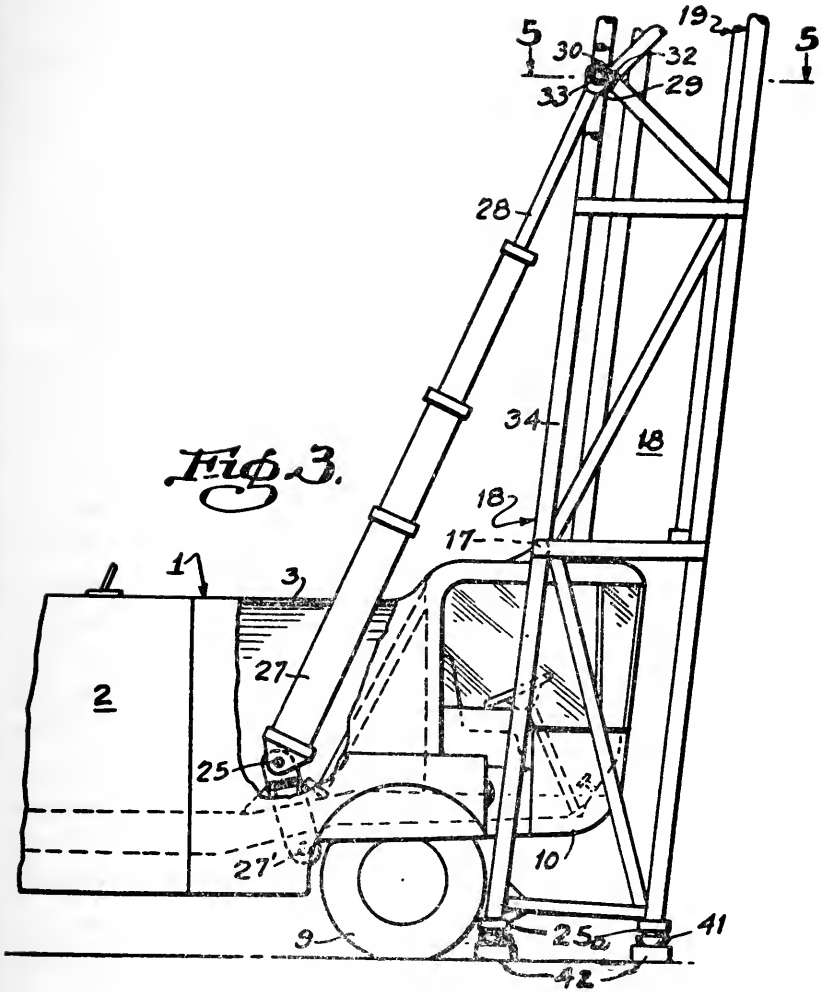
### **The History of the Moon Patent Application.**

For the sake of convenience we reproduce on an adjoining page Fig. 3 of the patent in suit. We respectfully draw the attention of the Court to the rear legs 34 of the derrick 18. These legs are disposed on either side of the driver's position, as is evidenced by the location of the steering wheel and driver's seat, shown in the figure. The patent states, column 4, line 20 *et seq.*, record, page 647:

"It will be observed that no equipment associated with the truck is positioned in front of the driver. Particularly, as will be seen, the derrick legs straddle the cab, and the derrick, while it is being erected or retracted to rest position, does not obstruct the view of the operator of the cab."

By way of example we here quote claim 1 of the patent in suit, in which we have printed in red those parts which clearly define the necessary relationship between the legs of the derrick of the driver's position.

Fig 3.



"1. A portable derrick, comprising a chassis, front wheels mounted on an axle positioned adjacent the front end of the chassis, rear wheels mounted on an axle positioned adjacent the rear end of the chassis, a driver's position with steering and motive power controls positioned adjacent the front end of said chassis and extending forward of the front axle, a collapsible and extensible derrick pivotally mounted on the chassis to move from a rest position on said chassis with the top end of the derrick positioned rearwardly of said chassis and the bottom of said derrick being positioned on said chassis toward the front end of said chassis, spaced two front and two rear legs for said derrick, cross bracing between said legs with a free area between a portion of the rear legs, said derrick comprising a lower section and an upper section, means for moving said upper section relative to said lower section to extend and to collapse said derrick, a hinge on said derrick positioned near the bottom end of said derrick, said hinge also positioned on said chassis intermediate the forwardmost limits of said chassis and the front axle and above said driver's position, and means for rotating said derrick about said hinge to an erect position adjacent the front end of said chassis, said means including a rotation power transmitting member connected to said derrick at a point on said derrick spaced from said hinge, said transmitting member transmitting rotative power to said derrick to rotate said derrick about said hinge, and a load transmitting connection between said member and said chassis, said connection being positioned on said chassis between said front and rear axles, lower portions of said legs being spaced apart transversely with respect to said chassis a distance greater than the transverse extent of said driver's position,

and said lower leg portions and said hinge being located with respect to the longitudinal axis of said chassis to cause a portion of the driver's position to enter said free area and the lower rear leg portions to straddle said driver's position when the derrick is in said erect position."

Now let us contrast the issued claim with the claims Moon originally tried to secure. When the application for the patent was filed, its first claim read as follows (Ex. T, p. 9, Appendix, p. 14).<sup>1</sup>

"1. A portable drilling derrick comprising a truck chassis, a cab mounted at the front of said chassis, a derrick positioned on said chassis, the legs of said derrick protruding ahead of said cab, a hinge on said derrick, the hinge point of said hinge being mounted on said chassis adjacent said cab, and means positioned on said chassis to rotate said derrick about said hinge point to move said derrick to an erect position."

That claim is typical.

The first action from the Patent Office comprised a single paragraph rejecting all of the claims in view of the patent to McEwen, appearing at page 898 of the record, the gist of the action being that it did not amount to invention to reverse the position of McEwen's derrick.

"Applicant has merely taken McEwen's derrick structure and reversed the position, enclosing McEwen's standards (7) in the cab of the truck and causing the derrick to be raised forward of the truck

---

<sup>1</sup> We have reproduced as an appendix to this brief several pages from Exhibit T, certified copy of the file wrapper of the patent in suit.

rather than to the rear of the truck. Applicant's change of position is a matter of mechanical expedience and is not considered to involve invention." (Ex. T, p. 16, Appendix, p. 16.)

Thereafter, as Exhibit T shows, Moon's counsel filed a lengthy amendment, together with an affidavit signed by Moon, all arguing that Moon should be granted a patent on the original claims together with new claim 6, appearing at page 17, Ex. T, and Appendix, p. 18. Then there was a further amendment filed on June 22, 1950, containing additional claims and more argument urging the allowance of broad claims to the general concept of a derrick hinged at the front end of the truck rather than at the rear end. Moon's counsel stated (Ex. T, p. 31, Appendix, p. 20):

"Each of said claims is directed to the feature whereby the derrick may be driven onto the job head-on. Each of the claims calls for the top end of the derrick to be positioned toward the rear of the chassis. This is in contradistinction to the prior art in which the top end of the derrick is positioned toward the front end of the chassis."

Then followed an official action of January 31, 1951, again rejecting the claims. The action referred to additional prior art in which devices other than oil well derricks had hoisting mechanism mounted at the front end of a vehicle. This brought forth a response from Moon's counsel containing further argument directed to his attempt to secure a patent broadly covering a front mounted derrick.

Once more the Patent Office, on April 25, 1952, issued an official action again refusing claims to the broad concept.

We now approach the critical event in the history of the Moon application. On September 18, 1952, Moon's counsel again filed a lengthy amendment, accompanied by a long affidavit again signed by Moon. Moon's counsel refers to an interview which had been granted by the Patent Office Examiner, saying:

"... the examiner indicated that a claim similar to new claim 14 would be, in his view, favorably considered if presented. One of the features which the examiner indicated as possibly carrying the claim over the then cited references was the straddling of the cab by the derrick when erected. It is respectfully urged that the new references do not in any way meet this claim, either alone or in combination with the cited references." (Ex. T, p. 48, Appendix, p. 26.)

"New claim 14" referred to in counsel's remarks appears at pages 44 and 45 of Ex. T, Appendix, pp. 22 and 24, and we draw attention of the Court to the last clause, reading as follows:

"the legs of said derrick straddling said cab when said derrick is in said erect and extended position."

After that, on May 28, 1953, the Examiner issued a further action largely raising some formal objections to the language of the proposed claims and indicating that they would be allowable when revised. Thereafter there was another interview with the Examiner (Ex. T, p. 75, Appendix, p. 28); the claims were rewritten as claims 1-4 of the issued patent. There was yet another interview with the Examiner (see Ex. T, p. 87, Appendix, p. 30), and the patent was then issued after some further inconsequential formalities.

We respectfully submit that a fair reading of the file wrapper reveals an exceptionally clear case of file wrapper estoppel. In other words, Moon first sought the allowance of broad claims but thereafter accepted claims of limited scope, in view of the art and the position of the Patent Office. He cannot now properly expand the language of the claims in the patent to cover territory which the file wrapper shows very clearly that he yielded.

### **Defendants' Structure does Not Infringe.**

As the District Court held, appellees' accused structures are correctly shown, for example, in Exhibits 57 and 95. We have reproduced them, for convenience, in the appendix of this brief. Note Exhibit 57, for example, in which the hinge 26, about which the derrick pivots, is disposed as far forward as possible, that is to say, at the extreme upper front corner of the truck. The same relationship appears in the other exhibits referred to. While drawings are of course necessary and valuable in this connection, photographs tell a more graphic story. Here we refer to Exhibits C and AF, also reproduced in our appendix, received in evidence at pages 459 and 464 of the record, respectively. Exhibit C is a photograph of the accused structure with the derrick in the flat over-the-road position, while Exhibit AF is a photograph of similar apparatus with the derrick erected and the cab covered by a tarpaulin appearing at the left center of the photograph. These exhibits demonstrate the fact that in the accused structure the derrick has been moved bodily forward so that the relationship of the legs of the derrick, the steering wheel and the driver's seat is no longer that which appears in the patent (see reproduction of Fig. 3 thereof, *supra*). In defendants' structure the derrick is all forward of the vehicle when in erected



position. That arrangement simply does not correspond to the language of the claims of the patent in suit, such, for example, as that of claim 2, which requires:

“said hinge being positioned with respect to the longitudinal axis of said chassis locating said driver’s position between the said leg portions with the said leg portions straddling said driver’s position when the derrick is in said erect position.”

That is to say, it is quite plain that the language of the claim is not literally infringed by defendants’ structures. Of course that gives rise to the question as to whether the difference is one of substance or one which is only colorable and does not avoid infringement. One is also disposed to look at the doctrine of equivalents. That is where the file wrapper comes in. The claims Moon originally sought to obtain from the Patent Office would very definitely be infringed by the defendants’ structures. Since he limited his claims specifically to include the straddling feature, it seems evident that Moon is now estopped by the file wrapper from asserting the claims against a non-straddling structure, whether by way of interpretation of claim language itself or by the route of the doctrine of equivalents.

### **An Interesting Question.**

It is abundantly clear from the file wrapper that Moon was not granted a patent covering broadly a telescoping derrick hinged for erection at the front end of a truck or chassis, the final word from the Patent Office being that such a claim would be invalid as involving nothing more than an obvious reversal of the parts of the McEwen de-

vice, well within the skill of the worker in the art and constituting nothing more than ordinary mechanical expediency. Therefore, it is established that the public has the right to build portable derricks which are hinged at the front of the truck. Now the patent claims state, in effect, that in so doing the public must be careful that the legs of the derrick do not straddle the cab or driver's position, since, if they do, the Moon patent would be infringed. The fallacy of appellants' position on this matter of infringement is well demonstrated by the following question:

“... If the public is free to build front mounted portable derricks but not free to build front mounted derricks in which the legs straddle the cab, how else can the public actually build non-infringing derricks *other* than by moving the hinge point forwardly far enough to avoid straddling?”

We most respectfully submit that defendants' structures cannot be held to infringe the claims of the patent in suit without thereby rendering it impossible for anyone to build a front-mounted derrick without infringement, in spite of the fact that the Patent Office very specifically refused to grant such broad rights to Moon.

### **Appellants' Brief.**

We have carefully studied appellants' brief. We do not propose to comment on it in any detail, since it appears necessary only to point out that the brief is based on a fundamental refusal to face the facts evidenced in the file wrapper. *If Moon had originally* sought from the Patent Office the same claims he was granted, and *if* the file wrapper contained no evidence of the refusal of the Patent

Office to grant broad protection on a front-mounted derrick, *then* appellants could certainly have argued with force that the patent claims were entitled to a reasonable range of equivalents and that the claims were thereby infringed by defendants' structures. Indeed, appellants quote the argument of appellees' counsel before the District Court in which it was made crystal clear that the determining factor in this issue of infringement is the estoppel which arises from the file wrapper (Record, p. 501 *et seq.*).

When the force of the estoppel from the file wrapper is applied to the claims and to defendants' devices, it becomes crystal clear that the District Judge was eminently correct in ruling that the claims of the patent in suit had not been infringed.

### **The Law.**

We know that the Court is conversant with the law pertaining to file wrapper estoppel and therefore feel that an extended discussion would be unnecessary. We cite a few representative cases in support of our position and note that perhaps the leading case on the subject is *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U.S. 126, 86 Law. Ed. 736, in which Mr. Chief Justice Stone held that, where the claims granted in a patent are narrower than the claims originally sought, the difference is in effect a disclaimer. Then he states (p. 137):

"The difference which he thus disclaimed must be regarded as material, and since the amendment operates as a disclaimer of that difference it must be strictly construed against him. . . . As the question is one of construction of the claim, it is immaterial whether the examiner was right or wrong in rejecting the claim as filed."

This Court had occasion to consider a very similar situation in *D & H Electric Co. v. M. Stephens Mfg., Inc.*, 233 F. 2d 879, 110 U.S.P.Q. 469. The principles and the cases cited in that opinion are obviously applicable here. In that case Judge Stephens stated (pp. 883-884):

“Having asserted the novelty of the right angle principle in order to secure the patent, appellant cannot now expand his coverage to include other claims which were denied him in the proceedings before the patent office. This is simply the exercise of the doctrine of ‘file wrapper estoppel’—the gravamen of which is that an applicant who acquiesces in the rejection of his claim, and accordingly modifies it to secure its allowance, will not subsequently be allowed to expand his claim by interpretation to include the principles originally rejected or their equivalents.”

If in the above quotation the words “right angle” were replaced by “straddling,” the quoted paragraph would be entirely dispositive of the case at bar.

**Conclusion.**

We respectfully submit that the Court below is entirely right in holding that there had been no infringement in this case. The claims originally applied for would be infringed by defendants' structures; the granted claims are not. The granted claims cannot be interpreted as the equivalent of the denied claims, and, unless that be done, there can be no infringement of the claims of the patent by the devices of appellees.

LYON & LYON,

CHARLES G. LYON,

711 West Seventh Street,

Los Angeles, California.

KENWAY, JENNEY, WITTER & HILDRETH,

HERBERT P. KENWAY,

GEORGE W. CROWLEY,

24 School Street,

Boston, Massachusetts.

KENNETH W. BROWN,

77 Franklin Street,

Boston, Massachusetts.

## Appendix.

[FROM EXHIBIT T]

5276

I CLAIM:

1. A portable derrick comprising a truck chassis, a <sup>derrick</sup> body mounted at the front of said chassis, a derrick positioned on said chassis, the legs of said <sup>fixed</sup> derrick protruding ahead of said cat, a hinge means in derrick, the hinge point of said hinge being mounted on said chassis adjacent said cat, and means positioned on said chassis to rotate said derrick about said hinge point to move said derrick to an erect position.

2. A portable drilling derrick comprising a track chassis, a cab mounted on the front of said chassis, front and rear wheels and axle for said chassis, a derrick positioned on said chassis, the legs of said derrick being trailing ahead of said cab, a hinge on said derrick, the hinge point of said hinge being mounted on said chassis adjacent said cab and one of said front wheels, a telescopic hydraulic jack pivotally mounted on said chassis behind said front axle and hinged to said chassis at a point behind said hinge point.

3. A portable grilling device, consisting of a driven chassis mounted on the front end of said chassis, a fire of standard burner on said chassis, grillings mounted on said standards, a device on said chassis, the bottom of the legs of said device, a chassis, the bottom of the legs of said device, a chassis apend on said cat, a cross member for said chassis near the end of said device, said cross member halled in said bearings, and a chassis on said cross member in a chassis.

I claim:

1. A portable drilling derrick comprising a truck chassis, a driver's cab fixedly mounted at the front of said chassis, a derrick positioned on said chassis, the legs of said derrick protruding ahead of said cab, a hinge on said derrick, the hinge point of said hinge being mounted on said chassis adjacent said cab, and means positioned on said chassis to rotate said derrick about said hinge point to move said derrick to an erect position.

2. A portable drilling derrick comprising a truck chassis, a driver's cab fixedly mounted on the front of said chassis, front and rear wheels and axles for said chassis, a derrick positioned on said chassis, the legs of said derrick protruding ahead of said cab, a hinge on said derrick, the hinge point of said hinge being mounted on said chassis adjacent said cab and ahead of said front wheels, and an extensible hydraulic jack pivotally mounted on said chassis behind said front axles and hingedly mounted on said derrick behind said hinge point.

3. A portable drilling derrick comprising a chassis, a driver's cab fixedly mounted on the front end of said chassis, a plurality of standards mounted on said chassis adjacent said cab, bearings mounted on said standards, a derrick positioned on said chassis, the bottom of the legs of said derrick protruding ahead of said cab, a cross member for said derrick positioned near the end of said derrick, said cross member being journaled in said bearings, and means for rotating said derrick on said cross member in said bearings to elevate said derrick.

FD-36

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UNITED STATES PATENT OFFICE  
WASHINGTON

Paper No. 3

All communications respecting  
this application should bear the  
serial number, date of filing,  
and name of the applicant.Please find below a communication from the EXAMINER  
in charge of this application.*Lawrence L. King*  
Commissioner of Patents.

OCT 18 1949

Philip Subkow  
435 Roosevelt Building  
Los Angeles 14, CaliforniaDivision: 33 - Room 5087  
Applicant: James MoonSer. No. 35,666  
Filed June 28, 1948  
For DERRICK MOUNTING FOR  
PORTABLE DRILLING AND SERVICING  
RIGS

This application has been examined.

Reference made of record:

McEwen et al. 2,331,553 Oct. 12, 1943 189-14

References of interest:

Dow	2,175,381	Oct. 10, 1939	189-14
Woody	2,204,716	June 18, 1940	189-11
Fleischmann	2,471,735	May 31, 1949	254-86
Donley et al.	2,251,013	July 29, 1941	255-19.1

Claims 1-5 are rejected as failing to patentably differ from the patent to McEwen et al. Applicant has merely taken McEwen's derrick structure and reversed the position, enclosing McEwen's standards (7) in the cab of the truck and causing the derrick to be raised forward of the truck rather than to the rear of the truck. Applicant's change of position is a matter of mechanical expedience and is not considered to involve invention.

*J. D. Shushko*  
Examiner

DMS/ec



This application has been examined.

Reference made of record:

McEwen et al.	2,331,558	Oct. 12, 1943	189-14
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References of interest:

Dow	2,175,381	Oct. 10, 1939	189-14
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Claims 1-5 are rejected as failing to patentably differ from the patent to McEwen et al. Applicant has merely taken McEwen's derrick structure and reversed the position, enclosing McEwen's standards (7) in the cab of the truck and causing the derrick to be raised forward of the truck rather than to the rear of the truck. Applicant's change of position is a matter of mechanical expedience and is not considered to involve invention.

W. J. MUSHAKE

Examiner

DMS/ec

MAIL DIVISION

U. S. PATENT OFFICE

APR 11 1950

DIVISION 33

Div. 33  
Room 5087  
JAMES MOON  
DERRICK MOUNTING FOR PORTABLE  
DRILLING AND SERVICING RIGS  
Filed June 28, 1948  
Serial No. 35,666

Los Angeles, California, April 5, 1950

Hon. Commissioner of Patents  
Washington 25, D.C.

Sir:

In response to Office action dated October 12, 1949, please amend the above-identified application as follows:

Add the following new claim:

446. A portable drilling derrick, comprising a vehicle chassis, front and rear wheels for said chassis, the ends of the legs of said derrick protruding ahead of said front wheels and the top end of said derrick being positioned toward the rear of said chassis, a hinge on said derrick, said hinge being mounted at the front end of said chassis, and means positioned on said chassis to rotate said derrick about said hinge point to move said derrick to an erect position. 447

#### REMARKS

The rejection is traversed.

The applicant, in reversing the position of the derrick so that the truck can drive head-on into position and need not back into position, has obtained advantages not possible with the cited prior art structures.

The McEwen reference is no different from the White Patent No. 2,204,713 cited at page 1, line 21, of the

Los Angeles, California, April 5, 1950

Hon. Commissioner of Patents  
Washington 25, D.C.

Sir:

In response to Office action dated October 18, 1949, please amend the above-identified application as follows:

Add the following new claim:

\*\*\*6. A portable drilling derrick, comprising a vehicle chassis, front and rear wheels for said chassis, the ends of the legs of said derrick protruding ahead of said front wheels and the top end of said derrick being positioned toward the rear of said chassis, a hinge on said derrick, said hinge being mounted at the front end of said chassis, and means positioned on said chassis to rotate said derrick about said hinge point to move said derrick to an erect position. \*\*\*

### REMARKS

The rejection is traversed.

The applicant, in reversing the position of the derrick so that the truck can drive head-on into position and need not back into position, has obtained advantages not possible with the cited prior art structures.

The McEwen reference is no different from the White Patent No. 2,204,713 cited at page 1, line 21, of the

Ser. 35,666

12. A portable drilling derrick comprising a truck chassis, <sup>arriving</sup> a cab mounted on the front end of said chassis, front and rear axles for said truck, wheels mounted on said axles, standards mounted on said chassis and positioned in front of said cab ahead of said front axles, a derrick hingedly mounted on said standards, the top end of said derrick being positioned toward the rear of said chassis, and means to rotate said derrick to an upright position about the said hinge.

13. A portable drilling derrick comprising a truck chassis, <sup>arriving</sup> a cab mounted on the front end of said chassis, front and rear axles for said truck, wheels mounted on said axles, standards mounted on said chassis and positioned in front of said cab ahead of said front axles, a derrick hingedly mounted on said standards, the top end of said derrick being positioned toward the rear of said chassis, and an extensible boom hinged at one end to said chassis at a point rearward of the front axle and at the other end of said boom a jacking device, said jack being hingedly mounted on said derrick at a point rearward of the hinge point of said jack to said chassis.

\*\*\*\*\*

The above claims are believed to be new and original for the reasons advanced in the amendment dated April 19, 1928. The scope of said claims is directed to the feature wherein the derrick may be driven onto the job head-on. Each of the claims requires that the top end of the derrick to be positioned toward the rear of the chassis. This is in contradistinction to the prior art in which the top of the derrick is positioned toward the front end of the chassis.

Ser. 35,666 - - - - - 3

12. A portable drilling derrick comprising a truck chassis, a driver's cab fixedly mounted on the front end of said chassis, front and rear axles for said truck, wheels mounted on said axles, standards mounted on said chassis and positioned in said cab ahead of said front axles, a derrick hingedly mounted on said standards, the top end of said derrick being positioned toward the rear of said chassis, and means to rotate said derrick to an upright position about the said hinge.

13. A portable drilling derrick comprising a truck chassis, a driver's cab fixedly mounted on the front end of said chassis, front and rear axles for said truck, wheels mounted on said axles, standards mounted on said chassis and positioned in said cab ahead of said front axles, a derrick hingedly mounted on said standards, the top end of said derrick being positioned toward the rear of said chassis, and an extensible jack hingedly mounted on said chassis at a point rearward of said front axles, said jack being hingedly mounted on said derrick at a point rearward of the hinge point of said jack to said chassis. - - -

### REMARKS

The above claims are believed patentable for the reasons advanced in the amendment dated April 5, 1950. Each of said claims is directed to the feature whereby the derrick may be driven onto the job head-on. Each of the claims calls for the top end of the derrick to be positioned toward the rear of the chassis. This is in contradistinction to the prior art in which the top of the derrick is positioned toward the front end of the chassis.

MAIL DIVISION  
SEP 13 1952  
SEP 13 1952

Div. 33  
JAMES MOON  
DERRICK MOUNTING FOR PORTABLE  
DRILLING AND SERVICING RIGS  
Filed June 28, 1948  
Serial No. 35,666

Los Angeles, California, September 15, 1952

Hon. Commissioner of Patents  
Washington 25, D.C.

Sir:

In response to Office action dated April 25, 1952,  
please amend the above-identified application as follows:

Cancel the claims now in the case.

Add the following new claims:

14. A portable derrick, a chassis, front wheels mounted on an axle positioned adjacent the front end of the chassis, rear wheels mounted on an axle positioned adjacent the rear end of the chassis, a driver's cab positioned at the front end of the chassis, a collapsible and extensible derrick pivotally mounted on the chassis to move from a rest position on said chassis with the top end of the derrick positioned rearwardly of said chassis behind said cab and the bottom of said derrick being positioned on said chassis toward the front end of said chassis, spaced front and rear legs for said derrick, cross bracing between said legs, said derrick comprising a lower section and an upper section, means for moving said upper section to collapse said derrick and to reduce the length of said derrick when said derrick is in said collapsed position in said rest position on said chassis, a hinge on said derrick positioned near the bottom end of said derrick, said hinge also positioned on said chassis adjacent the front end of said chassis

(cont.)

Los Angeles, California, September 15, 1952

Hon. Commissioner of Patents  
Washington 25, D.C.

Sir:

In response to Office action dated April 25, 1952, please amend the above-identified application as follows:

Cancel the claims now in the case.

Add the following new claims:

---- 14. A portable derrick consisting of a chassis, front wheels mounted on an axle positioned adjacent the front end of the chassis, rear wheels mounted on an axle positioned adjacent the rear end of the chassis, a driver's cab positioned at the front end of the chassis, a collapsible and extensible derrick pivotally mounted on the chassis to move from a rest position on said chassis with the top end of the derrick positioned rearwardly of said chassis behind said cab and the bottom of said derrick being positioned on said chassis toward the front end of said chassis, spaced front and rear legs for said derrick, cross bracing between said legs, said derrick comprising a lower section and an upper section, means for moving said upper section to collapse said derrick and to reduce the length of said derrick when said derrick is in said collapsed position in said rest position on said chassis, a hinge on said derrick positioned near the bottom end of said derrick, said hinge also positioned on said chassis adjacent the front end of said chassis and in front of said front axle, means for rotating said derrick about said hinge to an erect position adjacent the front end of said chassis, said means including a rotation power transmitting member connected to said derrick at a point on said derrick spaced from said hinge, said transmitting member transmitting rotative power to said derrick to rotate said derrick about said hinge, and a load transmitting connection between said member and said chassis, said connection being positioned on said chassis

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D1  
(Cont.)

and in front of said front axle, means for rotating said derrick about said hinge to an erect position adjacent the front end of said chassis, said means including a rotation power transmitting member connected to said derrick at a point on said derrick spaced from said hinge, said transmitting member transmitting rotative power to said derrick to rotate said derrick about said hinge, and a load transmitting connection between said member and said chassis, said connection being positioned on said chassis between said front and rear axles, (and means to erect said upper section on said lower section to extend said derrick when said derrick is in an erect position, the legs of said derrick straddling said cab when said derrick is in said erect and extended position.

15. A <sup>consistently</sup> portable derrick, a chassis, front wheels mounted on an axle positioned adjacent the front end of the chassis, rear wheels mounted on an axle positioned adjacent the rear end of the chassis, a driver's cab positioned at the front end of the chassis, a motive power unit positioned adjacent the rear end of said chassis, a winch positioned in said chassis between the motive power unit and said cab, a collapsible and extensible derrick pivotally mounted on the chassis, above said cab, winch and power unit, to move from a rest position on said chassis with the top end of the derrick positioned rearwardly of said chassis behind said cab, the bottom of said derrick being positioned on said chassis toward the front end of said chassis, spaced front and rear legs for said derrick, cross bracing between said legs, said derrick comprising a lower section and an upper section, means for moving said upper section to collapse said derrick and to reduce the length of



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between said front and rear axles, and means to erect said upper section on said lower section to extend said derrick when said derrick is in an erect position, the legs of said derrick straddling said cab when said derrick is in said erect and extended position.

15. A portable derrick, consisting of a chassis, front wheels mounted on an axle positioned adjacent the front end of the chassis, rear wheels mounted on an axle positioned adjacent the rear end of the chassis, a driver's cab positioned at the front end of the chassis, motive power unit positioned adjacent the rear end of said chassis, a winch positioned on said chassis between the motive power unit and said cab, a collapsible and extensible derrick pivotally mounted on the chassis, above said cab, winch and power unit, to move from a rest position on said chassis with the top end of the derrick positioned rearwardly of said chassis behind said cab, the bottom of said derrick being positioned on said chassis toward the front end of said chassis, spaced front and rear legs for said derrick, cross bracing between said legs, said derrick comprising a lower section and an upper section, means for moving said upper section to collapse said derrick and to reduce the length of

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*End of  
B'*  
bearing away from said truck at an acute angle to the vertical when said derrick is in an erect position. ---

#### REMARKS

The applicant wishes to express his appreciation for an oral interview had with the Examiner in February of 1952, prior to the issuance of the last Office action. At that time the references in the case were discussed, proposed claims were informally submitted, and the Examiner indicated that a claim similar to new claim 14 would be, in his view, favorably considered if presented. One of the features which the Examiner indicated as possibly carrying the claim over the then cited references was the straddling of the cab by the derrick when erected. It is respectfully urged that the new references do not in any way meet this claim, either alone or in combination with the cited references. The additional claims 15 to 17 are likewise patentable.

The rejection: o

Applicant understands the rejection to be as follows:

(1) McEwen shows an oil derrick of the same class as is used by applicant.

(2) Derricks have been mounted on trucks so that they are hinged at the front end of the truck and Tonley points out that in so doing the driver can drive directly to the spot where he wishes to erect the derrick. Derricks have been hinged on the top of the cab of cranes (Leist); and that

(3) Therefore, there is no invention in doing the same thing in the McEwen derrick, and no invention in hinging the derrick on the front of the derrick and over the cab.

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bearing away from said truck at an acute angle to the vertical when said derrick is in an erect position.

### REMARKS

The applicant wishes to express his appreciation for an oral interview had with the Examiner in February of 1952, prior to the issuance of the last Office action. At that time the references in the case were discussed, proposed claims were informally submitted, and the Examiner indicated that a claim similar to new claim 14 would be, in his view, favorably considered if presented. One of the features which the Examiner indicated as possibly carrying the claim over the then cited references was the straddling of the cab by the derrick when erected. It is respectfully urged that the new references do not in any way meet this claim, either alone or in combination with the cited references. The additional claims 15 to 17 are likewise patentable.

The rejection:

Applicant understands the rejection to be as follows:

(1) McEwen shows an oil derrick of the same class as is used by applicant.

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(3) Therefore, there is no invention in doing the same thing in the McEwen derrick, and no invention in hinging the derrick on the front of the derrick and over the cab.

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Ser. 35,666-----#8

#4 cont'd

leg portions and said hinge being located with respect  
 to the longitudinal axis of said chassis <sup>canceled</sup> ~~so to have~~ a  
 portion of the driver's position to be positioned between  
 the said leg portions, said leg portions extending from  
 said hinge to rest on the ground and straddle said  
 driver's position with the derrick in said erect posi-  
 tion with the hinged derrick in load transference re-  
 lationship to the ground.++

#### REMARKS

Applicant expresses his appreciation for the  
 courteous interviews recently accorded his attorney.  
 As a result of these interviews, the above four claims  
 18-21 are substituted for the claims previously in the  
 application.

Before considering the present claims, it is  
 desired to briefly summarize wherein the present applica-  
 tion embodies patentable invention. Applicant is the  
 first to provide a portable oil well derrick wherein the  
 derrick is erected adjacent the front end of a self  
 powered mobile unit, such as a truck. Since these derrick-  
 icks must be positioned with precision, the advantages  
 attendant this construction are obvious. Previously  
 filed affidavits attest to the commercial success of this  
 structure and the recognition of its advantages by the  
 trade. The Examiner has cited numerous patents from the  
 art of truck mounted booms and masts of various parties.

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#4 cont'd

leg portions and said hinge being located with respect to the longitudinal axis of said chassis causing a portion of the driver's position to be positioned between the said leg portions, said leg portions extending from said hinge to rest on the ground and straddle said driver's position with the derrick in said erect position with the hinged derrick in load transference relationship to the ground. \* \*

### REMARKS

Applicant expresses his appreciation for the courteous interviews recently accorded his attorney. As a result of these interviews, the above four claims 18-21 are substituted for the claims previously in the application.

Before considering the present claims, it is desired to briefly summarize wherein the present application embodies patentable invention. Applicant is the first to provide a portable oil well derrick wherein the derrick is erected adjacent the front end of a self powered mobile unit, such as a truck. Since these derricks must be positioned with precision, the advantages attendant this construction are obvious. Previously filed affidavits attest to the commercial success of this structure and the recognition of its advantages by the trade. The Examiner has cited numerous patents from the art of truck mounted booms and masts of various purposes.

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Serial No. 35,666-----#4

#5 cont'd

said chassis a distance greater than the transverse extent  
 of said driver's position; and said lower ends, said means  
 cooperating therewith, and said hinge being located with  
 respect to the longitudinal axis of said chassis locating  
 said lower ends of one pair of front and rear legs and  
 their respective cooperating means to one side of said  
 driver's position and the lower ends of the other pair  
 of front and rear legs and their respective cooperating  
 means to the other side of said driver's position with  
 the derrick in said erect position.

#### REMARKS

Applicant expresses his appreciation for the  
 courteous and helpful interview recently accorded his  
 attorney. At this interview it was agreed that if the  
 foregoing changes were made in claims 18-21 originally  
 submitted by amendment filed November 25, 1953, but not  
 entered, the two amendments would be entered concurrently,  
 and the application would be allowed. It was also agreed  
 that added claim 22 is allowable for reasons set forth  
 hereinbelow.

Claims 18-21 are amended as to overcome the  
 Examiner's holding of inaccurate, indefinite, and func-  
 tional. Also, the present amendment eliminates a double  
 inclusion originally present in claims 18, 19, and 21.  
 That claims 18-21 set forth patentable invention has  
 been fully discussed in the previous amendment. By the  
 present amendment, these claims are placed in condition  
 for allowance.

Serial No. 35,666 - - - - - #4

#5 *cont'd*

said chassis a distance greater than the transverse extent of said driver's position; and said lower ends, said means cooperating therewith, and said hinge being located with respect to the longitudinal axis of said chassis locating said lower ends of one pair of front and rear legs and their respective cooperating means to one side of said driver's position and the lower ends of the other pair of front and rear legs and their respective cooperating means to the other side of said driver's position with the derrick in said erect position. \* \*

### REMARKS

Applicant expresses his appreciation for the courteous and helpful interview recently accorded his attorney. At this interview it was agreed that if the foregoing changes were made in claims 18-21 originally submitted by amendment filed November 25, 1953, but not entered, the two amendments would be entered concurrently, and the application would be allowed. It was also agreed that added claim 22 is allowable for reasons set forth hereinbelow.

Claims 18-21 are amended as to overcome the Examiner's holding of inaccurate, indefinite, and functional. Also, the present amendment eliminates a double inclusion originally present in claims 18, 19, and 21. That claims 18-21 set forth patentable invention has been fully discussed in the previous amendment. By the present amendment, these claims are placed in condition for allowance.

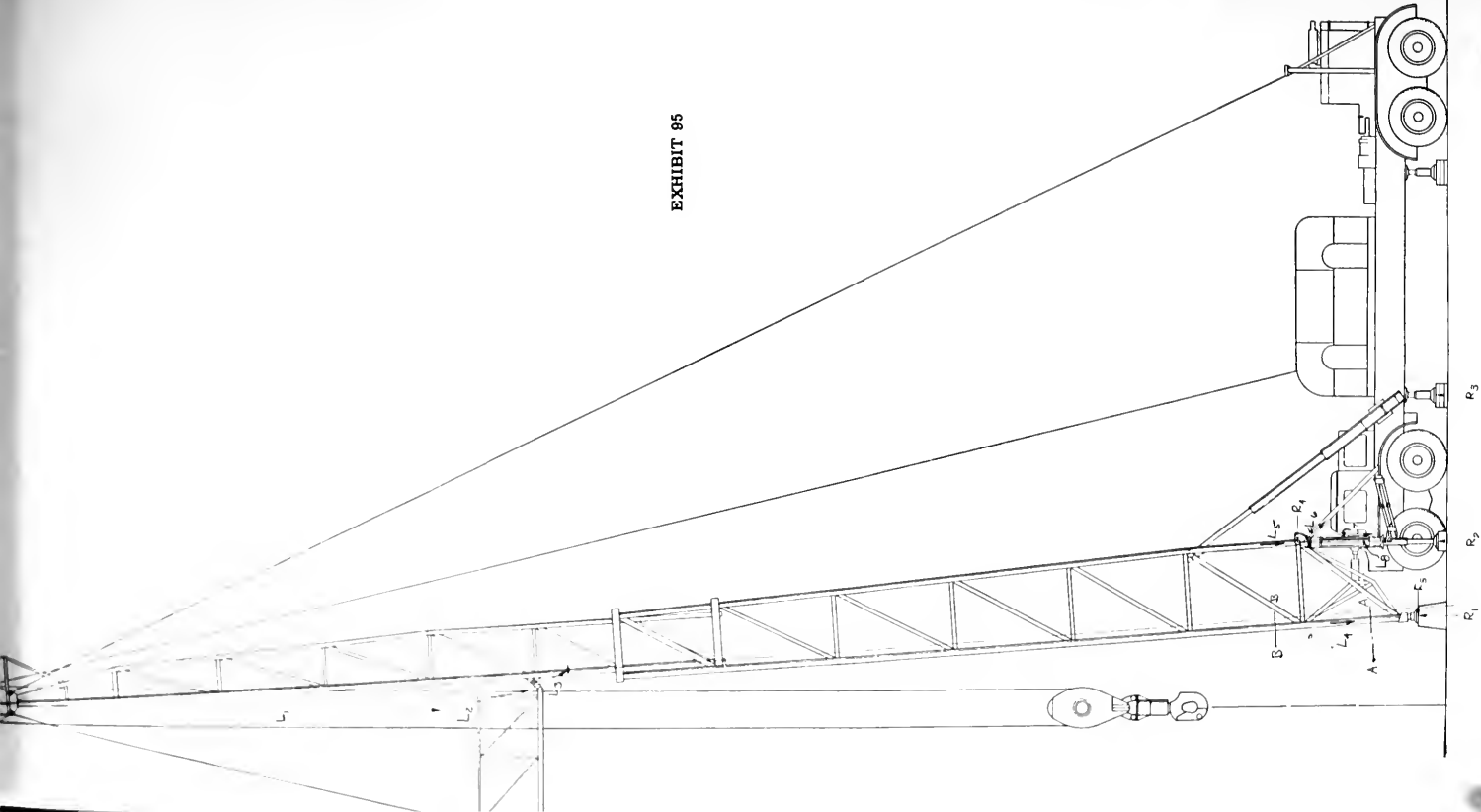






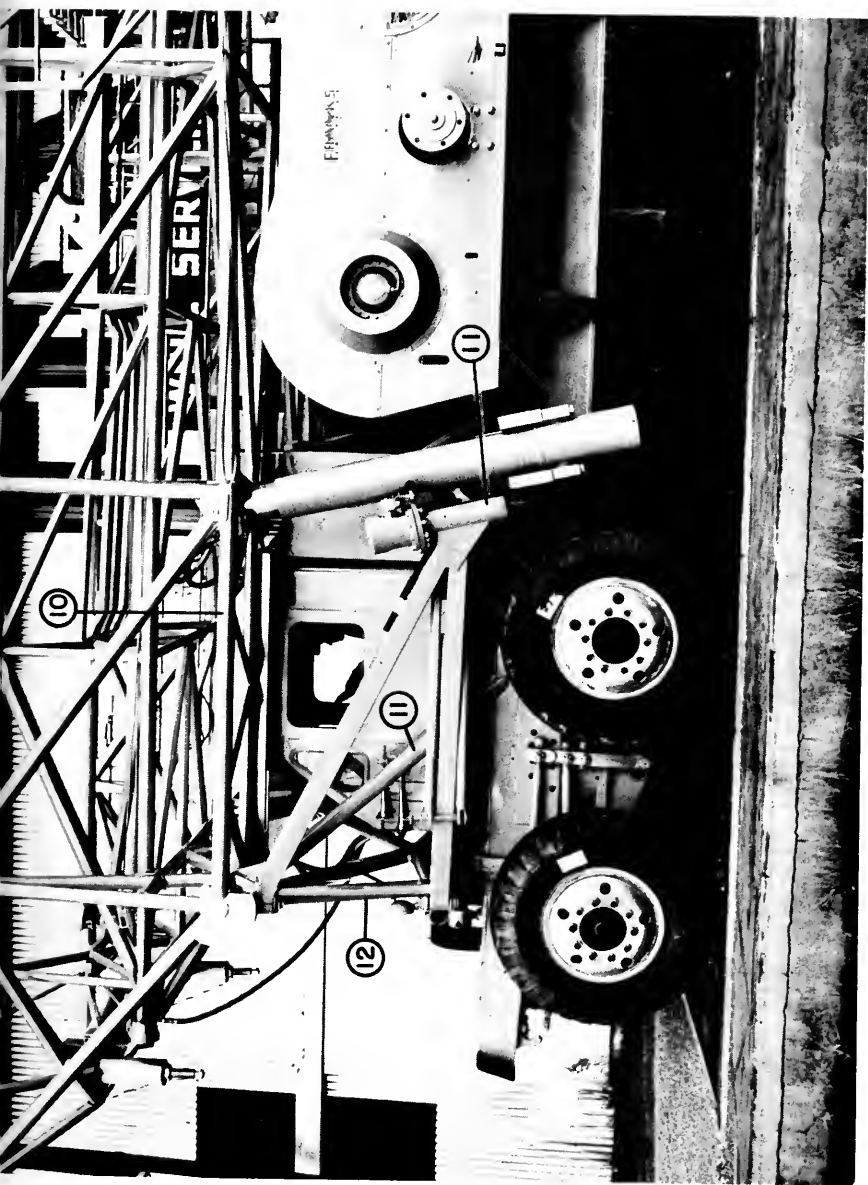


EXHIBIT 95





[EXHIBIT C]





[EXHIBIT AF]



[Faint, illegible text]



No. 16132

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

---

JAMES MOON, EDMOND M. WAGNER and PHILIP SUBKOW,

*Appellants-Cross-Appellees,*

*vs.*

CABOT SHOPS, INC., and HOWARD SUPPLY COMPANY,

*Appellees-Cross-Appellants.*

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CROSS-APPELLEES' REPLY BRIEF.

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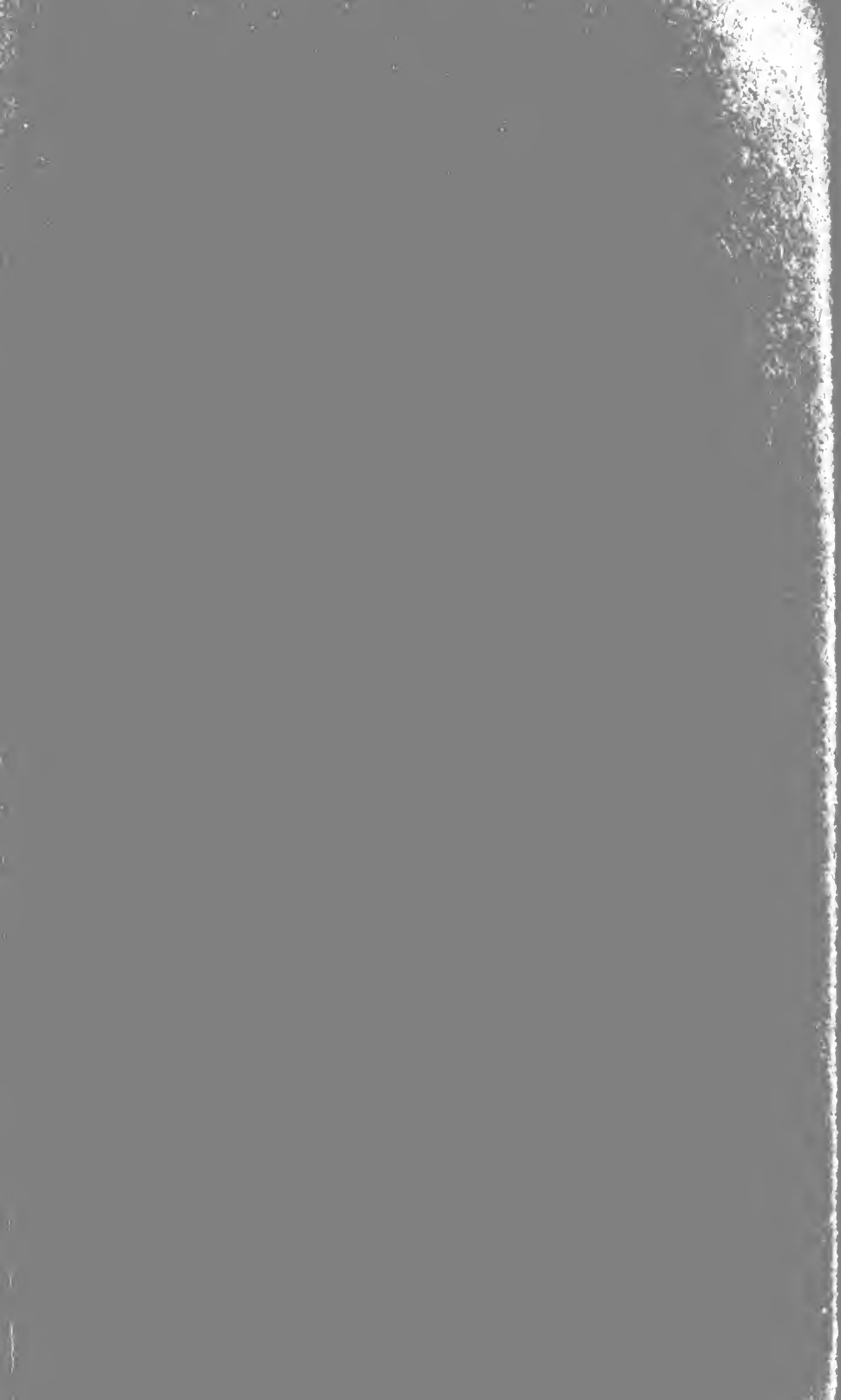
727 West Seventh Street,  
Los Angeles 17, California,

*In Propria Persona and Attorney  
for Cross-Appellees.*

**FILED**

**MAR 23 1959**

**PAUL P. O'BRIEN, CLERK**



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No. 16132

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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JAMES MOON, EDMOND M. WAGNER and PHILIP SUBKOW,  
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*vs.*

CABOT SHOPS, INC., and HOWARD SUPPLY COMPANY,  
*Appellees-Cross-Appellants.*

---

## CROSS-APPELLEES' REPLY BRIEF.

---

### I.

The Issues on the Cross-Appeal Relate to Validity of the Patent and Were Limited by the Pretrial Order.

As a preliminary to the consideration of Cross-Appellants' Brief it is important to recall:

(1) That this is an appeal from a judgment holding the claims of the patent valid:

(a) as directed to an inventive advance over the cited prior art, as shown in Exhibits M through S and in T, *i.e.*, as contained in Exhibit T-1;

(b) as not disclosed in the aforesaid patents and printed publications more than one year prior to applicant's filing date; and

(c) specifically that it does not appear from the evidence that the devices described in the printed publications embody the invention of the patent in suit, the details not being apparent from the advertisements [Exs. M through R; Findings of Fact and Judgment, R. pp. 88-90];

(2) That the question as to whether or not the claims are to be construed to include or exclude Cross-Appellants' drive-in units are outside the issues of this cross-appeal. It is the issue in Cross-Appellees' appeal and it is discussed in the Appellants' Opening Brief;

(3) That the issue as to the validity of the patent was fixed by a pretrial order and limited to two main issues: Issue 1, in two parts, raised the issue of novelty over certain patents and publications identified in the Answers to Plaintiffs' Interrogatories, under Section 102(b) of Title 35 U. S. C., and Issue 2 raised the issue of invention over the same patents and publications under Section 103 of Title 35 U. S. C. [R. pp. 62 and 63]:

(a) That the patents and publications referred to in the Answers to the Interrogatories made prior to the Pretrial Order signed March 3, 1958 [R. pp. 25-27], are those Exhibits M-S and T [see App. Op. Br. pp. 2-7, and R. pp. 25-27, 62-63, 86 and 87].

Defendants, after the signing of the Pretrial Order, in their further Answers to Interrogatories filed March 21, 1958 [R. p. 85], included the patents "which appear in connection with Exhibit T." The order was never amended nor was there any application for its amendment.

Thus all other defenses under issues other than as formulated in the Pretrial Order were waived and the action was tried on these limited issues. The Cross-Appel-

lants are bound by this order. (*Harry X. Bergman, et al. v. Aluminum Shingle Corp. of America* (9th C. C. A., 1958), 251 F. 2d 801 at p. 802; *Johnson v. United States* (9th C. C. A., 1951), 193 F. 2d 969 at pp. 970-971; *Fowler v. Crown Zellerbach Corp.* (9th C. C. A., 1947), 163 F. 2d 773; *Fernandez v. United States Fruit Co.* (2nd C. C. A., 1952), 200 F. 2d 414, *cert. den.* 73 S. Ct. 797, 345 U. S. 935, 97 L. Ed. 1363; *McCarthy v. Lerner Stores Corp.* (D. C. of D. C., 1949), 9 F. R. D. 31; *Clark et ux. v. United States* (D. C. Dist. of Ore., 1952), 13 F. R. D. 342, at p. 344.)

(4) Further and in conformance with the Pretrial Order, the factual issues were limited by the limitation imposed on the prior art offered by Cross-Appellants in Exhibit T-1. These were offered and received into evidence only for purposes of aiding the interpretation of the file wrapper and not on the issue of validity and were accepted into evidence for this limited purpose only [R. pp. 300-302, 362-365].

They are thus for this additional reason not available for any other purpose and they are not available on the issue of validity. (88 C. J. S. p. 195, Sec. 87; *Island v. Fireman's Fund Indemnity Co.* (1947), 30 Cal. 2d 541 at p. 546, 183 P. 2d 153.)

The McEwen patent [R. p. 898 and referred to at p. 3 of Cross-Appellants' Br.] is part of Exhibit T-1 and not of Exhibit S and thus the issue as to whether the Moon patent is invalid as a mere reversal of the parts of the McEwen patent is outside the issues on this appeal. We will discuss the merits of Cross-Appellants' argument at another place herein.

The patent to Evans is not competent evidence on the issue of validity under the issues as formulated, since it

was patented and published on November 15, 1949, after the date of invention and after the filing date of the patent June 28, 1948. We have shown in our Opening Brief that this patent neither discloses the claimed invention nor has any pertinency on the issue of invention (see Appellants' Op. Br. pp. 7 and 68).

The Exhibits M-R are competent evidence only on the issues under Section 102(b) of Title 35 U. S. C. The Court found correctly that they do not disclose the invention. We will show below that they are of dates less than one year prior to the effective filing date of the patent in issue (see Appellants' Op. Br. p. 65).

## II.

### **The Presumption of Validity and the Findings of Fact and Judgment of Validity Impose a Burden on Cross-Appellees to Show That the Findings and Judgment Are Clearly Wrong and to Establish the Invalidity of the Patent Beyond a Reasonable Doubt.**

(1) Further, we wish to point out that the Trial Court's judgment was based on certain specific findings of fact based on the evidence presented in Court and on admissions of fact stipulated to be true in the stipulated Pretrial Order.

These findings are the statements adopted as findings by the Court [see Fdg. No. 2; see Pretrial Conference Order, p. 12, R. p. 60 incorporating the Pretrial Statement of Facts, R. p. 49]. The statements so incorporated are as follows: 2a and b, 3a-c, 4a, 5a-c [R. pp. 28 and 29]; 8 [R. p. 30]; 13a-b, 14a and b, 16a and b, 17 [R. pp 31 and 32]; 21a, 24a [R. pp. 34 and 35]; 48a and b, 49a-d, 50a, b, d and e [R. pp. 41-43]; 55A-D, H, I, J and L (a-d)

[R. pp. 45-47]; and see also Pretrial Conference Order No. 16 [R. pp. 60-61].

These findings of fact are thus to be taken together with the finding of fact that the patents and publications cited by Cross-Appellant do not anticipate the claims and that the claims are for an inventive advance over the prior art. (*Faulkner v. Gibbs* (9th C. C. A., 1948), 170 F. 2d 34 at p. 37, *aff'd* 338 U. S. 912, 70 S. Ct. 62, 94 L. Ed. 62, 83 U. S. P. Q. 192; *Maulsby v. Conzevoy* (9th C. C. A., 1947), 161 F. 2d 165 at p. 167 (quoted in Appendix p. 19); and *Ralph N. Brodie Co., et al. v. Hydraulic Press Mfg. Co.* (9th C. C. A., 1945), 151 F. 2d 91 at p. 94 (quoted in Appendix p. 10); *Refrigeration Engineering v. York Corporation* (9th C. C. A., 1948), 168 F. 2d 896.)

Cross-Appellants must show that these findings are clearly erroneous and must do so by showing that the record in this case makes them so clearly erroneous.

(2) To this we add that the burden of establishing the lack of validity rests on the Cross-Appellees. (*Bianchi v. Barili* (9th C. C. A., 1948), 168 F. 2d 793 at pp. 795-796 (quoted in Appendix p. 9).)

### III.

**The Contention That Moon by Cancelling His Claim 6 Admitted That His Invention Was Limited to a Particular Location of the Derrick Legs With Respect to the Driver's Position at the Front of the Chassis Is Without Merit.**

While this may be material to the issues of infringement (see Appellants' Op. Br. pp. 77-97), it is not material on the issue of validity.

The contention stated at pages 4 to 6 of Cross-Appellants' Brief that by cancelling the broad claims by amend-

ment and by substitution of narrower claims, Moon admitted that his invention was limited to a particular location of the derrick legs as shown in Figure 3 of the patent, is certainly not correct. As was stated in *International Cellucotton Products Co. v. Sterilek Co.* (2nd C. C. A., 1938), 94 F. 2d 10 at p. 12 (quoted in Appendix p. 15), "When an inventor consents to limit his monopoly, there is no reason in fact to impute to him the belief that his only patentable advance lies in the element introduced." (See also, *Texas Co. v. Globe Oil & Ref. Co.* (D. C. N. D. Ill. E. D., 1953), 112 Fed. Supp. 455 at pp. 478, 483, *aff'd* 225 F. 2d 725 (quoted in Appendix p. 27); *Protective Closure Co. v. Clover Industries* (D. C. W. D. of N. Y., 1954), 129 Fed. Supp. 941.)

The fact of the matter is that contrary to the assertion of the Cross-Appellants, applicant always insisted that he was entitled to a claim broader than claim 1 of the patent and the Examiner finally allowed such claims 2-5. Cross-Appellant quotes out of context only a portion of the history of the prosecution. We have stated it fully in Appellants' Opening Brief, pp. 87-94. We call special attention to pages 91 and 92 of the Appellants' Opening Brief in which the report of the interview is given more fully than is reported by Cross-Appellants. We have analyzed and applied these claims to Cross-Appellants' drive-in structure in the Appellants' Opening Brief, pp. 53-63.



IV.

**The Contention that Unless the Claims Are Limited to the Structure as Shown in Fig. 3 of the Patent, the Claims Are for an Obvious Reversal of the McEwen and White Devices Is Without Merit.**

(See Cross-App. Br. pp. 4 and 5.)

Cross-Appellants state but advance no reason nor make any reference to anything in the record to support such a contention. No evidence was introduced at the trial to show that it would have been obvious to the man skilled in the art at the time of Moon's invention to obtain the patented invention by merely reversing the structure shown in White or McEwen. We have shown above that McEwen is not available to Cross-Appellants as evidence on this issue. It will be observed that this contention was also considered by the Patent Office in rejecting claims 14-17 [Ex. T-1, pp. 66-67], and the claims of the patent were subsequently allowed. We have discussed this in Appellants' Opening Brief at pages 91-93. This contention was first urged by Cross-Appellants in oral argument at the close of the trial [R. pp. 486-488]. It is significant to note that the White patent was not included by Cross-Appellants when it selected the best references [R. pp. 86, 128 and 368].

The Court found to the contrary [see Fdgs. 4, 5, 6 and 9, R. p. 89]. Cross-Appellants have not shown that these findings are clearly erroneous.

In fact, the evidence, both by testimony and by admissions, is clearly to the contrary and support the Court's findings as we discuss below.

V.

**The Contention That Making the Legs "Straddle" the Driver's Position Was Not Invention Is Without Merit.**

(See Cross-App. Br. pp. 5 and 6.)

We have shown in our Brief on Appeal on the Issue of Infringement that the position of the derrick hinge and the cooperating members with respect to the driver's position at the forward end of the chassis; the location of the derrick erecting means between the rear and front wheels and the location of the engine at the rear of the chassis all resulted in a safe, stable, legal and easily spotted unit. The old back-in units, such as shown in White and McEwen, did not and could not produce a safe, stable, legal and easily spotted unit. We have discussed the evidence, the admissions and the Pretrial Order on this point at pages 16-34 of Appellants' Opening Brief, see particularly pages 16-22 and 28-34 and reference is made thereto.

That this is clearly invention is further evidenced by the following which are fully established by the evidence and by admissions in the Pretrial Order:

**A. Cross-Appellants, When They First Learned of Mr. Moon's Design, Were Skeptical of Its Practicability and Tried Various Other Schemes for Solving the Problem.**

As early as September, 1946, Mr. Woody, Chief Engineer for Cross-Appellants, obtained, from sources unknown, information of a design which Mr. Moon was considering. Mr. Woody wrote a letter to the President of the Franks Manufacturing Corp., the predecessor of Defendant, Cabot Shops, Inc. This letter is in evidence as Exhibit 91. (It was Exhibit 49 and 49A of the Woody Deposition [see R. pp. 628 and 629].) This is admitted

by Cross-Appellants and found as a fact by the Court [Fdg. of Fact No. 2 incorporating Pretrial Order III(12) which incorporated Item 48(a) and (b) of Plaintiffs' Pretrial Statement, R. pp. 41 and 42].

This letter [Ex. 91, R. pp. 775-777] describes Moon's drive-in idea and is eloquent evidence of the novelty of the idea to Mr. Woody and also of his skepticism as to the practicality of the idea.

Mr. Woody testified the first step taken by Franks, to solve the problem of legality was to reduce the weight of the back-in unit. This failed [R. p. 599].

They next tried to modify the semi-trailer unit [see Ex. 85, originally Ex. 33 of the Woody Deposition], and this failed [R. p. 600].

They sought help from others who were also unsuccessful in their efforts. We have now reached the year about 1949, according to Mr. Woody, and by this time, as is admitted by Cross-Appellants, the competition from Wal-drip, the licensee under the Moon patent [R. pp. 214-216], forced them to again attempt to design a legal unit. They sought advice from the Dart Manufacturing Co., a builder of trucks. It is to be noted that defendants still use Dart trucks in their drive-in units [Ex. AA]. The Dart solution is shown in Trial Exhibit 70 (originally Ex. 19 of the Woody Deposition). Mr. Woody is entirely uncomplimentary of this design [R. pp. 523, 524, 620-624].

Franks sent an engineer named Mr. Auler to California to try to design a legal unit [R. pp. 603, 604]. He tried to modify the back-in unit in order to make it legal. He was entirely unsuccessful [R. p. 604]. This is admitted by defendants and found as a fact by the Court [Fdg. of Fact No. 2, incorporating Par. III(12) of the Pretrial

Order, incorporating Par. 49(a)-(d) of the Plaintiffs' Statement of Facts, R. p. 42].

According to Mr. Woody, Mr. Auler's design proved to be entirely impractical, not only because it made an entirely unsatisfactory design [R. p. 607] but also because it did not give much protection to the driver and could place the driver in serious danger [R. pp. 616, 617].

**B. Defendants Built Their Drive-In Unit by Copying the Moon Design.**

The design of the Defendants' drive-in unit was started by Franks in 1949 [R. p. 597], and the first unit was completed in 1952 [R. p. 598], taking 3 years to design and build this unit. Mr. Woody stated that the design was started after "exhausting the possibilities of other approaches."

Mr. Woody testified:

"Q. When did you start the design of the structure that was completed in 1952? A. Oh, the first work was probably done in '49 or maybe even before '49, and it was only initiated after exhausting the possibilities of other approaches, that is through trailer vehicles which were supposed to be an answer to the legal problem, but it developed that they are no solution of legality, and that the only conceivable way of producing the equipment that we were most hurt on and the industry was most hurt on, was to simplify and eliminate all duplications, and that is what we had in mind in attacking the problem. It wasn't just a new design. It was a development that was initiated by the highway enforcement officials" [R. p. 598].

And how were Cross-Appellants placed on the right track to the only "conceivable way of producing the equip-

ment” after its long history of failure to find the “way”? They did so after they obtained a copy of a confidential brochure issued by Waldrip, and learned of the details of Moon’s design, and they copied this design.

During the period of the design of the unit by Mr. Moon at Waldrip, he prepared a confidential brochure giving the details of this design, to be used and held confidential in the company and shown in confidence to customers. This brochure is in evidence as Exhibit H (it was Ex. 8 in the Moon Deposition) [see R. pp. 222, 223]. It gives the details of the design [see section under 321, Ex. H].

The following facts are admitted by Cross-Appellants and found as a fact by the Court:

“50. (a) During and prior to the completion of the design of the first Clipper unit by Franks they had learned of the Moon design of the drive-in unit manufactured by Waldrip.

“(b) They had obtained a copy of a brochure prepared by Moon for Waldrip” [Fdg. of Fact No. 2, incorporating Par. III(12) of the Pretrial Order incorporating Par. 50(a) and (b) of Plaintiffs’ Pretrial Statement of Facts, R. pp. 42-43].

How defendants obtained this brochure has never been explained [see Answer to Interrogatory XIV, Pltf. Ex. 102, R. p. 20].

Notwithstanding the skill and competence of the Franks organization, which had been manufactured and selling back-in units for many years prior to the Moon invention, they had been unable to solve the problems inherent in the back-in unit. They had been aware of its deficiencies for many years and tried and obtained the help

of others to try to solve the problem. Yet Cross-Appellants, who had not thought of Moon's drive-in invention, now say it was always obvious to them.

**C. The Patented Structure Has Obtained a Large Commercial Success.**

We have shown how the drive-in principle satisfied the engineering and legal requirements, whereas the back-in portable derricks did not. This was admitted as true by Cross-Appellants and found as a fact by the Court (see our discussion of this point in Appellants' Op. Br. at pp. 23-34). The ease of spotting was also an important feature. The result is a unit which satisfied the needs of the industry and has largely replaced the prior art portable derrick. We have discussed the point at pages 28-31 of Appellants' Opening Brief. Cross-Appellants have paid eloquent tribute to the drive-in principle in their advertising. We have quoted from these advertisements at pages 31-32 of the Appellants' Opening Brief.

These results derive from the drive-in principle and is so admitted by the Cross-Appellants and found as a fact by the Court [see Appellants' Op. Br. pp. 32 and 34, and Fdg. of Fact No. 2 incorporating Par. III(12) of the Pretrial Order incorporating Plaintiffs' Pretrial Statement of Fact, 55A-D, H-J and L, R. pp. 45-47].

The simple fact of the matter is that no one prior to Moon thought to abandon the old type of truck and to combine the derrick, hinge, engine and elevating mechanism in the patented fashion. This solution was not indicated by the prior art and produced a highly useful improvement as is established by the evidence discussed in Appellants' Opening Brief at pages 28-34 to which this Court is respectfully referred.

This amounts to invention. (*Pointer v. Six Wheel Corp.* (9th C. C. A., 1949), 177 F. 2d 153 at pp. 160-161 (quoted in Appendix p. 23); see also *Patterson-Ballagh Corp., et al. v. Moss, et al.* (9th C. C. A., 1953), 201 F. 2d 403 at pp. 405-406 (quoted in Appendix p. 21); *Stauffer v. Slenderella Systems of California* (9th C. C. A., 1957), 254 F. 2d 127 at p. 128 (quoted in Appendix p. 26).)

Whether a rearrangement of parts amounts to invention depends on the particular facts of the case. (Walker on Patents (Deller's Ed.), Sec. 33, p. 195; *Grever v. United States Hoffman Co.* (6th C. C. A., 1913), 202 Fed. 923 at p. 925 (quoted in Appendix p. 15); *Patterson-Ballagh Corp., et al. v. Moss, et al., supra*, at pp. 405-406 (quoted in Appendix p. 21).)

Was the drive-in unit an obvious variation of the back-in unit?

When the drive-in principle was first revealed to Cross-Appellants they were very skeptical of the workability of the idea. Now that it is successfully demonstrated, they say that it was always obvious.

The law has other tests and Cross-Appellants' skepticism when they first heard of the idea is eloquent evidence of the non-obviousness of the solution. (*Zonolite Co. v. United States* (U. S. Ct. of Cl., 1957), 149 Fed. Supp. 953 at p. 957; *Brown v. Brock* (4th C. C. A., 1957), 240 F. 2d 723 at p. 727.)

The above evidence establishes that the need for solution of the problems presented by the back-in unit was long known to the trade, as well as to Cross-Appellants, that Cross-Appellants tried various solutions and failed and that not until they copied the patented unit, by obtaining a confidential bulletin prepared by Moon, were they able to

design a stable, safe, legal and easily spotted drive-in unit. That such units have been widely accepted and displaced the back-in units is established by the above evidence (Appellants' Op. Br. p. 30). If there be any doubt as to validity this circumstance should weigh heavily in the patent's favor. (*Safety Car Heating & Lighting Co., Inc. v. General Electric Co.* (2nd C. C. A., 1946), 155 F. 2d 937 at p. 939 (quoted in Appendix p. 26), cited and quoted in *Pointer v. Six Wheel Corp., supra*, at p. 162; *Florence-Mayo Nuway Co. v. Hardy* (4th C. C. A., 1948), 168 F. 2d 778 at pp. 781-782 (quoted in Appendix p. 13), cited and quoted in *Filtex Corporation v. Amen Atiyeh* (9th C. C. A., 1954), 216 F. 2d 443 at p. 445; see also, *Diamond Rubber Co. v. Consolidated Tire Co.*, 220 U. S. 428, 435, 31 S. Ct. 444, 55 L. Ed. 527 at p. 532.)

The Cross-Appellants who succeeded in solving the problem they had theretofore been incapable of solving, only by copying the Moon structure, having first obtained a confidential bulletin disclosing the design, now state that it was always obvious. The facts are certainly persuasive evidence of its unobvious character. (*Florence-Mayo Nuway Co. v. Hardy, supra*; *Kurtz v. Belle Hat Lining Co.* (2nd C. C. A., 1922), 280 Fed. 277 at p. 281 (quoted in Appendix p. 17).)

## VI.

### The Contention That the Waldrip Advertisements Disclose the Invention Is Without Merit.

(Cross-App. Br. pp. 6-12.)

It should be noted that the Trial Court's Findings Nos. 4, 5 and 6 were made after testimony was introduced by way of expert evidence by Cross-Appellants. This testimony was conflicting and the findings were made by resolution of this conflicting testimony and after weighing the



credibility of the evidence against the disclosure in the advertisements themselves. We discuss this below.

That the publications were advertisements intended to stimulate an interest in the Waldrip portable derrick and not disclosures of the construction of the devices appears from the advertisements.

In appraising their evidentiary value on the issue of validity, it must be remembered that they are not competent evidence on the issue of the presence or absence of invention under Section 103 since they were published at a date later than the date of invention, December 12, 1946.

They were offered and received as anticipating novelty under Section 102(b).

In such case these advertisements are each competent evidence only of what can be *read in them* and not on what *may be read into them* as being necessary or desirable because of the experts' additional knowledge and experience. They must describe the identical invention claimed in the patent.

This requirement is predicated upon the express language of the statute which states in Section 102 that:

“a person shall be entitled to a patent unless the invention was \* \* \* described in a printed publication before the invention thereof by the applicant for patent (Sec. 102(a)) \* \* \* or more than one year prior to the date of the application. (Sec. 102(b).)”

Section 103 states that if the invention *is not identically disclosed or described* as set forth in Section 102 then the patent must stand the test of Section 103 which will be discussed later on.

On logical and established rules of statutory construction Section 102 and Section 103 must be read together and all the words given meaning.

82 C. J. S., Sec. 348.

Section 103 qualifies Section 102 in this respect. This has always been the law and the purpose of the enactment of the Patent Act of 1952 was for the purpose of clarifying and specifying this distinction between the defense of novelty under Section 102 and the defense of lack of invention under Section 103. This is made clear by the Report of the Committee on the Judiciary submitted May 12, 1952 (see Reviser's Note, U. S. C. A., Sec. 103, p. 715), in which the Committee in describing Sections 102 and 103 had the following to say with respect to Section 103:

“Section 103, for the first time in our statute, provides a condition which exists in the law and has existed for more than 100 years, but only by reason of decisions of the court. An invention which has been made, and which *is new in the sense that the same thing has not been made before*, may still not be patentable if the difference between the new thing and what was known before is not considered sufficiently great to warrant a patent. That has been expressed in a large variety of ways in decisions of the courts and in writing. Section 103 states this requirement in the title. It refers to the difference between the subject matter sought to be patented and the prior art, *meaning what was known before as described in Section 102*. If this difference is such that the subject matter as a whole would have been obvious at the time to a person skilled in the art, then the subject matter cannot be patented” (emphasis added).

Sections 102(b) and 103 thus merely codify what has long been the interpretation placed by the courts on the requirements of the law with respect to evidences of lack of novelty as distinguished from lack of invention.

As was stated by this Court in *Stauffer v. Slenderella Systems of California*, *supra*, at p. 128:

“Anticipation is strictly a technical defense. Unless all of the same elements are found in exactly the same situation and united in the same way to perform the identical functions as a prior pleaded patent, there is no anticipation.”

(See also, *Alexander Anderson, Inc. v. Eastman Oil Survey Co. of Cal.* (D. C. S. D. of Cal. C. D., 1936), 16 Fed. Supp. 513 at p. 522 (quoted in Appendix p. 8); *Crowell v. Baker Oil Tools* (9th C. C. A., 1946), 153 F. 2d 972 at p. 973; *Jacuzzi Bros., Inc. v. Berkeley Pump Co.* (9th C. C. A., 1951), 191 F. 2d 632 at p. 637 (quoted in Appendix p. 17); *Lincoln Stores, Inc. v. Nashua Mfg. Co.* (1st C. C. A., 1946), 157 F. 2d 154 at p. 160, *cert. den.* 329 U. S. 811, 67 S. Ct. 623, 91 L. Ed. 692 (quoted in Appendix p. 18); *Balaban, et al. v. Polyfoto Corp.* (D. C. D. of Del., 1942), 47 Fed. Supp. 472 at pp. 477 and 478 (Appendix p. 9).)

The distinction between the defense of novelty and defense of lack of invention is explained in *Walker on Patents* (Deller's Ed.), Vol. 1, pp. 254 and 255 (quoted in Appendix p. 7).

The publication must give the same directions as does the patent. (*Cold Metal Process Co. v. Carnegie-Illinois Steel Corporation* (3rd C. C. A., 1939), 108 F. 2d 322, 323, *cert. den.* 309 U. S. 655, op. withdrawn upon stip. 115 F. 2d 33 (quoted in Appendix p. 11).)

The publication must itself give the requisite information and extrinsic evidence may not be employed to supply deficiencies in the publication. (*Permutit Co. v. Harvey Laundry Co.* (2nd C. C. A., 1922), 279 Fed. 713 at p. 719; *cert. den.* 259 U. S. 588 (quoted in Appendix p. 23); *J. A. Mohr & Son v. Alliance Securities Co.* (9th C. C. A., 1926), 14 F. 2d 799 at p. 800 (quoted in Appendix p. 20).)

Nor is a publication an anticipation if it must be altered or features supplied to accomplish the results of the patent even though the alterations appear obvious. (*Bianchi v. Barili* (9th C. C. A., 1948), *supra*, at p. 796 (quoted in Appendix p. 9); *Line Material v. Brady Electric & Mfg. Co.* (D. C. D. Conn., 1924), 299 Fed. 882 at p. 824, *aff'd* 7 F. 2d 50; *Trico Prod. Corp. v. Ace Prod. Corp.* (D. C. D. of Conn., 1929), 30 F. 2d 688, 691; *United Shoe Machinery Corp. v. Mathey* (1st C. C. A., 1941), 117 F. 2d 331 at p. 332.)

This is particularly true where the publication is in the form of a drawing. (*Trussell Mfg. Co. v. Wilson-Jones Co.* (2nd C. C. A., 1931), 50 F. 2d 1027 at p. 1029 (quoted in Appendix p. 29).)

The case of *Willamette-Hyster Co. v. Pacific Car & Foundry Co.* (9th C. C. A., 1941), 122 F. 2d 492, 497, quoted by Cross-Appellants at page 13 of their brief, is not apposite. The Court found as a fact that the claims of the patent claimed the structure broadly and every element of the claims so broadly claimed was found in the prior art. The patent in that case was claimed to be a basic patent (p. 495). The elements of the claims are illustrated at page 495. The Court found in the publication every element of the claims. Its comment that the prior publication is as definitive as the patent relates to

the application of mechanical and engineering skill necessary to construct the device from the disclosed invention. The Court concluded that no more was required of the publication (p. 497). The case is not authority for any proposition that a publication is an anticipation, if elements of the claims not present in the disclosure may be supplied by the exercise of engineering or mechanical skill.

In the present case, the elements are claimed specifically and many of these elements are not found in the advertisements.

#### A. Exhibits M and N.

The following elements of the claims are not to be found described or shown in the Exhibits M and N.

Item: The four-legged derrick specified in all the claims with two legs on each side of the driver's position is not shown.

Only a side view is shown in these exhibits and thus only two legs appear. It cannot be seen whether the two legs shown in the picture are above to one side of the cab or above and over the top of the cab.

Item: The hinge positioned on the derrick and on the chassis is not shown.

The derrick in the exhibits may be just resting on top of the cab to be removed in some undisclosed way.

Item: The hinge support [claim 4, item Ia, R. p. 653] or the means [see claim 5, Item L and its subdivisions, R. p. 656] which place the legs in load transference relation to the ground and positioned on each side of the hinge supporting framework is not shown in the exhibits.

Item: The hinging of the erecting means to the chassis between the rear and front wheels is not shown in the exhibits nor its hinging to the derrick.

Something is shown extending downward from the derrick near the top of the derrick behind the rear wheels and also between the front and rear wheels. What they are is not disclosed. The derrick may be just supported on these elements to be removed by some undisclosed means.

#### **B. Exhibit O.**

This exhibit has the same deficiencies as Exhibits M-N. An inspection of the perspective view in the upper left-hand corner will show that the derrick is not hinged to the chassis above the driver's position. The exhibit as reproduced in Cross-Appellants' Brief at page 29 is on a reduced scale, and the absence of a hinge is directly obvious even from this reduced scale reproduction. The space between the derrick legs and the top of the cab is clear and there is no connection between the derrick and the cab or chassis above the driver's position.

#### **C. Exhibit P.**

What has been said of Exhibits M-O applies to Exhibit P. Cross-Appellants have referred to the trademark at the lower left of the drawing arguing that this trademark makes the disclosure of a four-legged derrick obvious, pointing to Mr. Groner's testimony. Ignoring for the moment the fact that Mr. Groner testified that [R. pp. 401-402] he could see only a two-legged derrick and if it were a two-legged derrick it could be erected on the side of the chassis, the evidence in this case shows the following:

That the lower picture is a trademark employed by Wal-drip in connection with various portable derricks including the two-legged derricks [see Ex. 17, R. pp. 180-181].

Cross-Appellants point to the trademark as showing that the structure in the upper picture has pivoted about a point over the steering wheel. If the trademark is closely inspected, it will be seen that the diagonal between the upper

and lower leg terminates adjacent the lower leg in the upper picture. However, in the trademark this diagonal terminates at this leg at a point below the top of the cab. If this picture discloses anything, the intersection between the diagonal and the bottom leg is shifted downward in comparison with the position in the upper picture. This is inconsistent with the presence of a hinge between the derrick and the top of the cab.

The truth of the matter is that the lower picture in Exhibit P and the upper picture in Exhibit 17 are trademarks and a very sketchy artist's rendering which by their very nature are not descriptive. No one would look to them for engineering information.

We wish to say one more thing with respect to two-legged derricks and that is that there are two-legged derricks in the form of double pole masts as appears from the evidence [see upper lefthand corner, p. 1830 of Ex. 55]. Their existence is further established by the admissions made by Cross-Appellants in the Pretrial Order and in the Findings of Fact [Fdg. of Fact No. 2, incorporating Par. III(12) of the Pretrial Order incorporating Par. 8, R. p. 30]. Other types of latticed two-legged telescopic derricks are also known [see Ex. 17].

The fact that Mr. Groner did not know of this type of oil field mast is simply that he is admittedly not familiar with the art to which the invention pertains. We discuss this below.

#### D. Exhibits Q and R.

These advertisements suffer from the same infirmities and are of no greater pertinency than Exhibits M-P. They are not even discussed in Cross-Appellants' Brief.

In addition to the publications themselves, two expert witnesses testified on behalf of the Cross-Appellants.

**E. Mr. Purdum's Testimony.**

Defendant offered Mr. Purdum as an expert to read the advertisements [Ex. M]. Mr. Purdum was unable to distinguish between what was described in the advertisements and what, from his experience in this art and from his study of the patent in suit, he felt was obvious to him and "must" be contained in the structures pictured in the advertisements, if they were to be an operative drive-in unit, with the derrick hinged at the front of the vehicle.

This was admitted by the Cross-Appellants at the trial and in their brief at page 11.

Mr. Lyon [R. pp. 388-389], in introducing Mr. Groner, stated:

"The point of the whole thing, your Honor, is that Mr. Subkow would quite properly argue that Mr. Purdum is an expert in this art, that he knows all about the patent in suit, and knows all about the accused device, and can take the drawings and find the various elements of the patent, because he knows what would be done. But here is a man absolutely innocent of that special knowledge, and I want to show you he can do as good a job of that as Mr. Purdum did."

It was simply impossible for Mr. Purdum to disassociate himself from what subjectively he thought would be obvious to him as required to complete the structure shown in the advertisements to produce what he had seen in the patent.

The following appears on page 445 of the Record:

"Q. Now, Mr. Purdum, don't you think it's a fair statement that, taking that drawing and reading it, you have read into it not only what there is in it but what your experience and knowledge with the prior



art would supply to that drawing to supplement what is not there? A. I believe it would be a little difficult to separate the knowledge that one has from, on (*sic*) from the other. I imagine that I did draw on some of the things that I know to be mechanical expedients and ordinarily used in machine design."

It is to be remembered that Mr. Purdum came to the conclusion that there was a four-legged derrick present which was wider than the cab because he had also come to the conclusion that the derrick was hinged [see R. p. 380].

Mr. Purdum's reasoning appears to be as follows:

(1) The mast is hinged. The hinge is, Mr. Purdum admits, "real small," but he sees it [R. p. 376]. He admitted, however, that he saw a hinge because he saw a contact between the derrick and the cab top at one point. He agreed it could be merely a rest support [R. p. 444].

(2) That while the derrick shown is two-legged, it must be four-legged, for otherwise, since it is hinged, it couldn't pass outside of the cab [R. p. 380].

(3) Although a hinge support is not shown, there must be a hinge support, because, from his experience, in order to hinge the derrick some support other than the cab must be provided [R. p. 443].

(4) He concludes that the derrick is hinged because he sees what he interprets to be a jack and he interprets the drawing from his experience of the prior art to mean that the jack must be pivoted at its lower end and therefore in order for the jack to rotate at its lower end, the derrick must be hinged [R. pp. 444-445].

This reasoning and argument not only assumes the answer, but requires the expert to resort to his knowledge

and to add to the disclosure in the patent. Mr. Purdum was reading the drawing by *reading into it* what he felt from his experience *he would place in the drawing to make it do what the patented structure did.*

This is impermissible under Section 102(b) (see *supra*). Mr. Purdom's testimony thus raised the issue as to credibility of Mr. Purdum's testimony that he saw a four-legged derrick with the legs on each side of the cab, hinged on a support mounted on the chassis with a jack hinged to the derrick and to the chassis between the rear and front wheels.

It required the resolution of the conflict in his testimony in which, on direct examination, he stated he saw some of the elements of the claims in the advertisements and his testimony on cross-examination that he read these elements into the advertisements, not because they were there, but because from his experience he knew it would be necessary to have them there and obvious to him to supply them.

The Court having the advertisements before it, and appraising the credibility of the testimony as to what the advertisements showed and resolving the conflict in the testimony, found that the advertisements did not disclose the invention, a finding of fact which Cross-Appellants have not shown to be erroneous.

#### **F. Mr. Groner's Testimony.**

We now come to Mr. Groner's testimony. Mr. Groner was offered as one who, while expert in aircraft fuel pumps, has no skill in or knowledge of the art to which the invention pertains [see R. pp. 387-388].

Mr. Groner's testimony establishes that he was unable to read in these advertisements [Exs. M-R] the presence of a four-legged derrick which was wider than the cab

and was hinged to the chassis. On his direct examination, Mr. Groner identified the jack and stated that the derrick was hinged [see R. p. 391]. Mr. Groner, upon his cross-examination, changed his mind as to the showing of a hinge between the derrick and the vehicle.

He testified on cross-examination that he could not tell from the Exhibits M-N and P-R, whether the advertisements showed a two-legged or a four-legged derrick since all he could see was two legs. While he could only see a two-legged derrick, he stated this two-legged derrick need not be necessarily within the lateral sides of the cab; that it could be on either side of the cab or on top of it. He stated he could not tell from the picture whether "this two-legged derrick" was on the side of the truck or on top of the truck [R. pp. 401-402].

However, he testified, his doubts were resolved when he looked at Exhibit O. He stated that Exhibit O gave him the same information that all of the other exhibits [Exs. M, N, P-R] gave him, and in addition gave him the additional information which completed his knowledge and that this additional information was that the derrick was four-legged [see R. p. 402].

However, when he reviewed the pictures of Exhibit O after the picture in the upper lefthand corner was called to his attention, he conceded that no hinge was shown and he could not tell whether the derrick was wider than the cab [see R. p. 403].

The point made by Mr. Groner is clearly shown, even on the reproduction of Exhibit O in reduced scale included in Cross-Appellants' Brief at page 29 (see the clear white line between the derrick and the top of the cab in the upper left-hand perspective view).

Mr. Groner's testimony thus raised the same issue as to the credit which may be attached to his testimony that he saw the elements of the claims in the advertisements and required the resolution of the conflict in his testimony given on direct examination and his testimony on cross-examination as to the presence of a four-legged derrick hinged to the chassis above the driver's position.

The Court's finding referred to above answered the question as to the credibility of this witness' testimony and resolved the conflict by finding that in view of the evidence these advertisements did not disclose the invention.

## VII.

### **The Contention and the Court's Conclusion of Law That the Filing Date of the Patent Cannot Be Carried Back to a Period of Time Less Than One Year Prior to the Date of the Advertisements Is Clearly Erroneous.**

This issue arises because of earlier filed applications by Moon [Exs. 44, 45 and 46, the last having been filed February 24, 1948] which make the advertisements incompetent evidence of anticipations under Section 102(b). We discuss the facts below.

The Court found as a fact that the reference to these applications does not appear on the face of the patent and as a matter of law that the Moon patent was not entitled to the dates of filing of these earlier applications [R. pp. 89 and 90]. This conclusion became moot when the Court decided that the advertisements did not disclose the invention. It becomes material, thus, only if this Court should find to the contrary.

We will first analyze the pertinent statutes and the decisions to show that the Court misapplied the law to the facts of this case.

Our position is that the right of the patent in issue to refer back to previous applications for its effective filing date is not dependent on Section 120 but arises under Revised Statute Section 4886 in force when the Moon application was filed on June 28, 1948, and that under that statute no reference to the earlier applications is required.

The patent application was pending when the Patent Act of 1952 (Public Law 593, 82nd Cong. 2nd Sess., Chap. 950, 66 Stat. 792) was enacted. This act (Public Law 593) is in five sections (Sec. 485, quoted in Appendix p. 1). Section 4 of the act provides under subsection (a) that the act shall take effect on January 1, 1953, and

“\* \* \* shall apply to all applications for patents filed on or after such date and to all patents granted on such application. It shall apply to further proceedings on applications pending on such date and to patents granted on such applications *except as otherwise provided*. It shall apply to unexpired patents granted prior to such date except as otherwise provided” (emphasis added).

Section 5 of the act repeals the sections of the Revised Statutes and Statutes at Large codified in this act with the proviso that “*Any rights or liabilities now existing under such sections or parts thereof shall not be affected by this repeal.*” One of the sections so repealed is the Revised Statute Section 4886 upon which Sections 101 and 102 of the Patent Act of 1952 are predicated. Moon, at the time of the repeal of Revised Statute Section 4886, had a right under Section 4886 to rely on the earlier applications for his effective filing date without specific notice in his application of the earlier applications. This saving clause specifically preserves that right for him.

We have been unable to find any case predicated upon the factual situation here presented. However, we have found a case upon a similar situation in which the retro-active effect of the Patent Act of 1952 was considered. (See *Diebold, Inc. v. Record Files, Inc.* (D. C. N. D. Ohio E. D., 1953), 114 Fed. Supp. 375 at p. 376 (quoted in Appendix p. 12).)

Under Revised Statute 4886, Section 31 of Title 35, U. S. C., then in effect, and under the decisions interpreting this statute, Moon on filing his application and certainly up to January 1, 1953, had the right to rely on the earlier applications for his effective filing date. (*The Suffolk Company v. Hayden*, 3 Wallace, 70 U. S. 315 at pp. 318 and 319; *General Picture Corp. v. Western Electric Co.*, 304 U. S. 175 at p. 183, 58 S. Ct. 849, 82 L. Ed. 1272; *Veaux v. Southern Wagon Sales* (D. C. D. Ore., 1940), 33 Fed. Supp. 605, *aff'd* 123 F. 2d 455; *General Electric Co. v. Independent Lamp & Wire Co.* (D. C. D. N. J., 1920), 267 Fed. 824 at p. 836; *Badische Anilin & Soda Fabrik v. Kalle & Co., et al.* (2nd C. C. A., 1900), 104 Fed. 802; *Victor Talking Mach. Co. v. American Graphophone Co.* (C. C. S. D. of N. Y., 1905), 140 Fed. 860; *Victor Talking Mach. Co. v. American Graphophone Co.* (2nd C. C. A., 1906), 145 Fed. 350; *Victor Talking Mach. Co. v. Duplex Phonograph Co.* (C. C. W. D. Mich. S. D., 1909), 177 Fed. 248; *Jacquard Knitting Mach. Co. v. Ordinance Gauge Co.* (D. C. E. D. Penna. 1951), 95 Fed. Supp. 902; *Jacquard Knitting Mach. Co. v. Ordinance Gauge Co.* (D. C. E. D. Penna., 1952), 108 Fed. Supp. 59 at p. 67; *Jacquard Knitting Mach. Co. v. Ordinance Gauge Co.* (3rd C. C. A., 1954), 213 F. 2d 503; *Harder, et al. v. Hayward* (C. C. P. A., 1945), 150 F. 2d 256; see also: Manual of Patent Examining Procedure, issued by

U. S. Patent Office, Ed. of Nov. 15, 1949, Secs. 201.08 and 201.11 (quoted in Appendix p. 5).)

Applications filed under the Patent Statutes prior to the Patent Act of 1952 were entitled to the benefit of the filing date of prior applications without specific reference thereto in the application. (*Ex parte Roberts*, 1887 C. D. 61-64, 40 O. G. 573 (quoted in Appendix p. 24); *Timken-Detroit Axle Co. v. Eaton Axle & Spring Co.* (D. C. N. D. Ohio E. D., 1931), 56 F. 2d 651 at pp. 651-652 (quoted in Appendix p. 28); *Ex parte Clarke* (P. O. Board of Appeals, 1953), 97 U. S. P. Q. 165 at p. 172.)

The above rules of law make Exhibits M through R incompetent as evidence under Section 102(b) of Title 35 because of the pendency of earlier filed applications.

The basis of our contention is the fact that prior to April, 1947, Moon had filed a series of patent applications [Exs. 44, 45 and 46]. The only question with respect to these applications arises from the fact that the printed patent in issue here does not carry a reference to these applications. It has never been contended by Cross-Appellants that Moon would not be entitled to these filing dates for any reason other than the absence of such notice in the printed patent.

*Application Serial No. 776,631*, filed September 29, 1947; now Patent No. 2,662,797 [Ex. 44, R. pp. 685-702]. This application is noted on the file jacket of the patent in suit [Ex. T-1] and can be seen under the certification when the certificate is lifted. It is covered up in the reproduction in the Appendix to Cross-Appellants' Brief, page 33.

*Application Serial No. 785,165*, filed November 10, 1947; now Patent No. 2,565,777 [Ex. 45, R. pp. 703-771].

Note the binders have disarranged the pagination of Exhibit 45 in Volume III of the Record.

*Application Serial No. 10,412*, filed February 24, 1948 [Ex. 46]. It became abandoned July 27, 1953, by failure to respond to the office action of January 26, 1953. The exhibit is not in the Exhibit Book, Volume III; pertinent parts of the exhibit are printed in the Appendix to this brief at pages 31.

Reference to Figures 1 to 4, and page 4 of the specification of Exhibit 46 (see Appendix p. 34) will show that this application discloses the mounting of the derrick on a hinge adjacent the front of the truck and above the driver's position in the cab. Specifically it discloses the extending jack hinged to the derrick and to the chassis between the front and rear wheels. It discloses one of the trusses which carry the hinge and which the specification states are positioned on each side of the derrick. It refers to the application Serial No. 776,631 [Ex. 44; see drawings, R. p. 752, and the specification, p. 736 *et seq.*, particularly p. 739].

Application Exhibit 44 describes the mounting frame shown as 3 on Figure 1 and states [see p. 4 of the specification Ex. 44, R. p. 691] that this mounting is also shown in application Serial No. 35,666 (the patent in suit) and in application Serial No. 10,417 [Ex. 46].

The disclosures of the above exhibits are much more complete disclosures than the advertisements and show elements of the claims which are omitted from the advertisements. If the advertisements disclose the invention, which we have shown above is not true, certainly these prior filed applications do so much more completely.



Since each of these applications was filed prior to the filing of the application for the patent in suit and was pending when the application was filed and when the publication of the advertisements was made, Exhibits 44, 45 and 46 were filed less than one year from the earliest advertisement [Ex. Q, April 1947].

If, as we believe is so, the law permits Moon to have the benefit of the filing dates of these applications for all common subject matter, then these three earlier applications make the advertisements of no competent value not only because they do not disclose the invention of the patent, as required by Section 102(b) but also, if they are construed to disclose the invention, then they are *not early enough* in time as required by that statute. They are less than a year prior to the date of these earlier applications and are later than the date of Moon's invention, December 12, 1946 (see Appellants' Op. Br. p. 4).

#### VIII.

#### **The Contention That the Patented Drive-In Unit Lacks Invention Over the Morton Patent, the Downie Patent and the Evans Patent Is Without Merit.**

We have previously in this brief shown that the Evans patent is not competent evidence on this issue in view of the Pretrial Order. The Evans patent has no teaching which is of any utility in designing a portable oil well servicing derrick. We respectfully refer the Court to the discussion at pages 67 and 68 of the Appellants' Opening Brief, where this patent and the evidence given with regard thereto is discussed.

The Morton patent 966,346 is also discussed at pages 66 and 67 of the Appellant's Opening Brief and need not

be repeated here. We wish to point out here, however, that while the Morton patent was not cited by the Examiner, a closely similar patent, *i.e.*, the Preston patent 414,578 [see Ex. T-1, R. p. 940] was cited.

Both patents relate to horse-drawn fire wagon ladder trucks. The ladders are both hinged in the same manner. Compare Figures 1 and 9 of the Preston patent (Item (d), lower end of Fig. 1) with the hinge 49 of Morton Figures 2, 7 and 24. The driver sits on top of the ladder in both patents (see R in Preston Fig. 1 and seat 400 of Morton Figs. 2 and 10). The hinge is positioned below the driver's position in both cases. The Examiner withdrew the Preston reference and did not rely on it in any of the following actions [see the Examiner's action, April 25, 1952, p. 42 of Ex. T].

The Downie patent was discussed by us in the Appellants' Opening Brief, page 69. The Court is respectfully referred to that brief for the discussion.

None of the above patents have any teaching which has any utility in solving the problem of stability, safety, legality or of spotting solved by the drive-in unit.

A. There is no teaching that the cab should be placed at the head of the chassis and the engine which drives the truck be placed at the rear.

Morton's driver is at the front of the vehicle where he holds the reins of the horses. He backs the wagon against the curb or draws up alongside the curb (see Appellant's Op. Br. p. 67). While it is suggested other motive power may be employed, how this is to be accomplished is not suggested. Downie has no driver or engine for driving his wagon and Evan's driver is in the middle of the tractor.

B. There is no teaching that the derrick should be hinged above the driver so that two legs and the cooperating positioning members are on each side of the driver. Morton's ladder is hinged below the driver and is not erected on the ground, and in Downie there is no driver's position. In Evans the rails on which the lift operates are not spread wider than the driver's position and obscure his vision.

C. There is no teaching of any erecting means hingedly connected to the chassis and to the lower end of the derrick spaced from the hinge.

It will be remembered that this mechanism contributes to the stability of the structure during erection (see Appellants' Op. Br. pp. 25 and 26). No such device is employed by Downie or Evans.

In Morton, the ladder erecting mechanism is similar to the screw type mechanism shown in the back-in unit (see Appellants' Op. Br. pp. 20-24), which in the back-in unit contributed to its instability. The lever 50 in Morton, instead of being connected to a crosshead as in the Woody patent Exhibit 11 (see Appellants' Op. Br. p. 17), is connected to a piston rod (see Item 193, Figs. 1, 6 and 7 of Morton patent). Instead of hinging the lever 50 to the lower end of the ladder at a point on the ladder spaced from the hinge, the rod 50 is hinged to a plate 49 positioned at the bottom of the ladder. There is no evidence in this case that this form of connection has any function similar to that of the patented invention in producing a stable balance of forces.

IX.

**Conclusion.**

Cross-Appellant has not shown that the Trial Court's findings of fact are clearly erroneous. The Court's findings, conclusions and judgment as to the validity of the patent on the issues of law formulated by the Pretrial Order were correct and fully supported by the evidence. This evidence was that the patented device was a new combination which functioned in a different way from prior art portable derricks to give a stable, safe, legal, easily spotted, portable derrick, where prior art portable derricks were not stable, were not safe, were not legal and were difficult to spot. The problem solved by the patented unit was one long before the industry and the solution long desired. Cross-Appellants were originally very skeptical of the practicality of the drive-in principle. They made many other efforts to solve the problem and failed. They were finally forced by competition to copy the Moon design. This they did by obtaining a confidential bulletin prepared by Mr. Moon.

The drive-in principle has displaced the prior art portable derrick, outselling all other types. Cross-Appellees in their advertising have been complimentary of the "singular advance" made by the drive-in principle.

The prior art introduced on the issue of validity has no relation to the problem of portable oil well derricks. The only prior art which shows a portable telescopic derrick are the back-in units which have not been urged either at the trial or this appeal as prior art against the patent. The Downie and the Morton patents are simply irrelevant. The Evans patent is no better and is not competent evidence in this action. The advertisements are simply sketchy artist

presentations for sales purposes. They are not descriptive and lack the features which are important elements of the claims. The Court did not see the elements in the advertisements and did not believe Cross-Appellants' experts. It did not believe Mr. Purdum and Mr. Groner, who testified on direct that they saw the elements of the claims in the advertisements and whose testimony on cross-examination contradicted their testimony on direct. The Court's findings of fact are thus based, not only on the documentary evidence, but involved the credibility of witnesses' testimony and a resolution of conflict in the evidence.

We submit that the Cross-Appellants have not shown that upon the evidence in this record the Court's findings were clearly wrong. We submit that the evidence fully supports the Court's findings that the advertisements and the other pleaded prior art do not disclose the patented invention and that the patented invention is an inventive advance over the prior art.

While we believe the point to be moot, however, we have also shown that the advertisements are incompetent as evidence on the issue of anticipation, since they are less than a year prior to the filing date to which the patent in issue is entitled and are later than the date of invention.

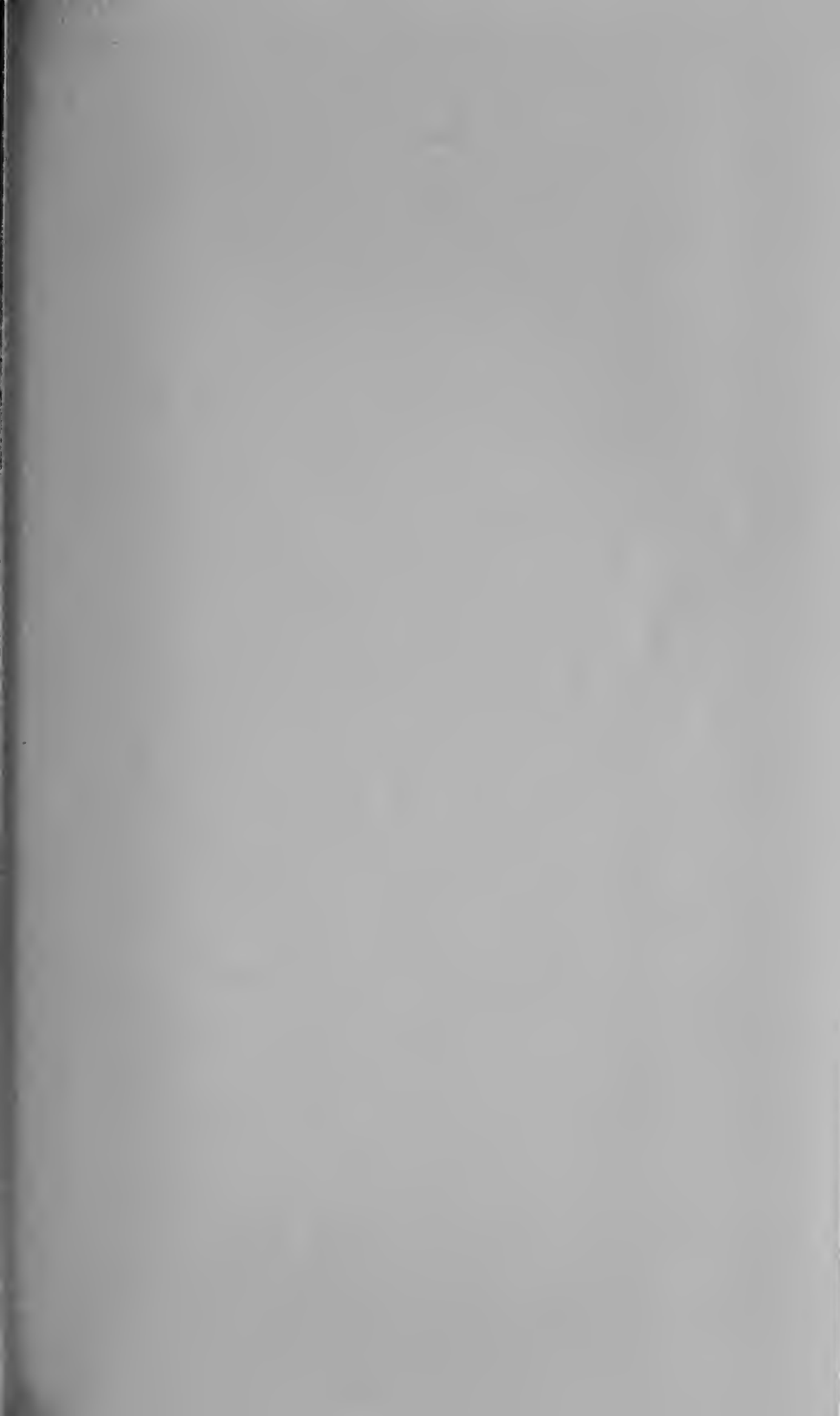
We submit that this Court should affirm the Court's judgment that the patent and each claim thereof are good and valid in law.

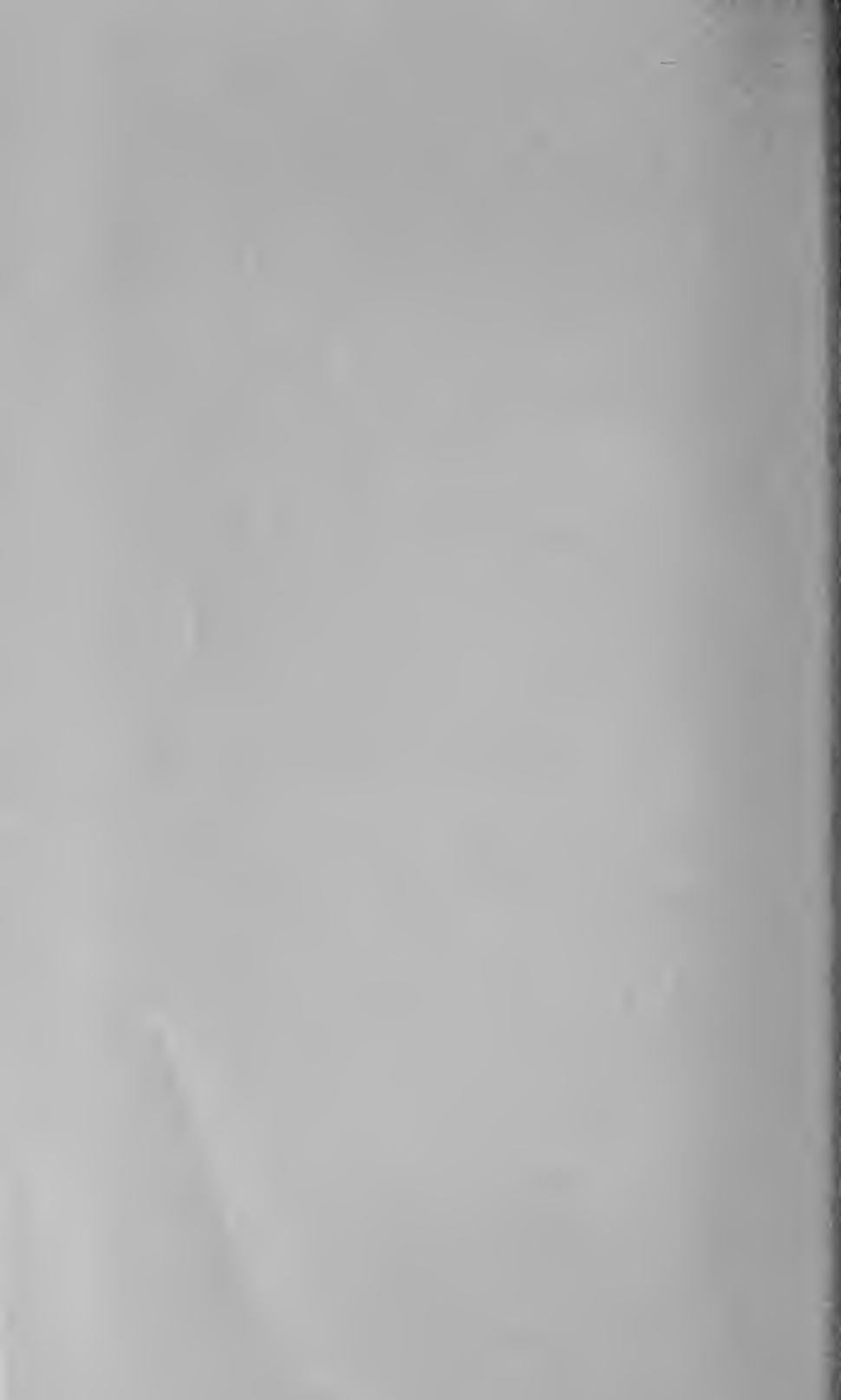
Respectfully submitted,

PHILIP SUBKOW,

*In Propria Persona and Attorney for  
Cross-Appellees.*









## APPENDIX.

PUBLIC LAW 593, 82ND CONGRESS, SECOND SESSION,  
CH. 950, 66 STAT. 792.

Sec. 4. (a) This Act shall take effect on January 1, 1953 and shall apply to all applications for patent filed on or after such date and to all patents granted on such applications. It shall apply to further proceedings on applications pending on such date and to patents granted on such applications except as otherwise provided. It shall apply to unexpired patents granted prior to such date except as otherwise provided.

(b) Section 102 (d) of Title 35, as enacted by section 1 hereof, shall not apply to existing patents and pending applications, but the law previously in effect, namely the first paragraph of R. S. 4887 (U.S. Code, title 35, sec. 32, first paragraph, 1946 ed.), shall apply to such patents and applications.

(c) Section 119, second paragraph, of Title 35 as enacted by section 1 hereof shall not apply to existing patents.

(d) The period of one year specified in section 102 (b) of Title 35 as enacted by section 1 hereof shall not apply in the case of applications filed before August 5, 1940, and patents granted on such applications, and with respect to such applications and patents, said period is two years instead of one year.

(e) Nothing contained in Title 35, as enacted by section 1 hereof, shall operate to nullify any judicial finding prior to the effective date of this Act on the validity of any patent by a court of competent jurisdiction.

(f) Nothing in Title 35, as enacted by section 1 hereof, shall affect any provision of the Atomic Energy Act of 1946 (Aug. 1, 1946, ch. 724, 60 Stat. 755).

(g) The period of one year specified in section 4 of Title 35 as enacted by section 1 hereof shall not apply in the case of applications filed before the effective date of this Act.

(h) The repeal of sections 1-9, 11, 12 of the Act of Congress approved February 1, 1952 (ch. 4, 66 Stat. 3), shall not affect any rights or liabilities existing on the date of approval of this Act. An order of secrecy issued under or in effect under the repealed Act and in effect on the date of approval of this Act, shall be considered as issued under this Act, and any claims arising under the repealed Act or subject to presentation and determination pursuant thereto and unsettled as of the effective date of this Act, may be presented and determined pursuant to the provisions of this Act.

Sec. 5: The sections or parts thereof of the Revised Statutes or Statutes at Large enumerated in the following schedule are hereby repealed. Any rights or liabilities now existing under such sections or parts thereof shall not be affected by this repeal.

#### UNITED STATES CODE, TITLE 35; PATENTS

##### § 101. Inventions patentable

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title. (R. S. 4886; 35 U. S. C., 1946 ed., 31.)

##### § 102. Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication

in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States, or

(c) he has abandoned the invention, or

(d) the invention was first patented or caused to be patented by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application filed more than twelve months before the filing of the application in the United States, or

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or

(f) he did not himself invent the subject matter sought to be patented, or

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was the first to conceive and last to reduce to practice, from a time prior to conception by the other. (R. S. 4886, 4887, 4923; 35 U. S. C., 1946 ed., 31, 32, 72.)

§ 103. Conditions for patentability; non-obvious subject matter

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section

102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

§ 120. Benefit of earlier filing date in the United States

An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States by the same inventor shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and it contains or is amended to contain a specific reference to the earlier filed application.

UNITED STATES CODE, TITLE 35; SECTION 31

§ 31. Inventions patentable

Any person who has invented or discovered any new and useful art, machine, manufacture, or composition of matter, or any new and useful improvements thereof, or who has invented or discovered and asexually reproduced any distinct and new variety of plant, other than a tuber-propagated plant, not known or used by others in this country, before his invention or discovery thereof, and not patented or described in any printed publication in this or any foreign country, before his invention or discovery thereof, or more than one year prior to his application, and

not in public use or on sale in this country for more than one year prior to his application, unless the same is proved to have been abandoned, may, upon payment of the fees required by law, and other due proceeding had, obtain a patent therefor. R.S. § 4886; March 3, 1897, c. 391, § 1, 29 Stat. 692; May 23, 1930, c. 312, § 1, 46 Stat. 376; Aug. 5, 1939, c. 450, § 1, 53 Stat. 1212.

MANUAL OF PATENT EXAMINING PROCEDURE U. S.  
PATENT OFFICE, DEPARTMENT OF COMMERCE, (EDITION  
OF NOV. 15, 1949) 201.08 CONTINUATION IN PART

A continuation-in-part is an application filed during the lifetime of an earlier application by the same applicant, repeating some substantial portion or all of the earlier application *and adding matter not disclosed* in the said earlier case. (In re Klein, 1930, C.D. 2: 393 O.G. 519)

A continuation-in-part filed by a sole applicant may also derive from an earlier joint application showing a portion only of the subject matter of the later application, subject to the conditions stated in the case of a sole divisional application stemming from a joint application (201.06) and the further condition that the applicant present an exact line of division between matters of joint invention and sole invention. (In re Perrin, 1944 C.D. 380; 565 O.G. 151.)

For notation to be put on the file jacket by the Examiner in the case of a continuation-in-part application see 202.02.

201.11 Continuity Between Applications: When Entitled to  
Filing Date

A division, continuation, or continuation-in-part is linked by co-pendency with the original or parent application; and contains, in whole or in part, identical disclosure

in common with the original application. Such applications are entitled to the effective filing date of the original application for only the common subject matter disclosed.

A division, continuation, or continuation-in-part may be filed at any time during the pendency of the parent application. Such continuing application may be filed, for example, after an appeal to the Board or to the Court, provided the parent application has not become abandoned (1215); or after the application has gone to issue (In re Febrey, 1943, C.D. 510; 554 O.G. 377). In the latter case the period of pendency includes the three months' extension when the final fee is paid and a three months' extension for the issuance of the patent is obtained.

\* \* \*

## 202.02 Notation as to Parent Application on Jacket and and in File of a Divisional, Continuation, Continu- ation-in-Part, or Substitute Application

The identifying data of a parent or prior application must be given in the specification and must be inserted by the Examiner on the left margin of the file jacket in the case of a DIVISION, a CONTINUATION, or a SUBSTITUTE Application. The file jacket bears on the left hand margin, the legend: "Division of Application No....., filed....., 19....." This is to be filled in at the time of the first action with the serial number and date of any prior application of which the one in question is a division, a continuation, or a substitute, the word "Division" being replaced by *Continuation*, and the words "Division of" replaced by *Substitute for abandoned*, as may be required. If the prior application has issued as a patent, the patent number and date should also be supplied. If the application at hand is a division of a division,

the data of all cases involved should be given. (Order No. 1832, Revised.)

In the case of a continuation-in-part the identifying data of the parent or prior application must be given in the specification and the Examiner must stamp only the letter C--P. on the file jacket.

One of the reasons for these notations being put on the file jacket is that they indicate to the Docket Clerk when an application is a DIVISION, CONTINUATION, CONTINUATION-IN-PART or a SUBSTITUTE. These four types of applications must be sent to the Assignment Branch for a title search when in condition for allowance. (Order No. 3411, Revised.) See 306 for work done by the Assignment Branch pertaining to these particular types of applications.

Only the letters C--P. (without data) are placed on the file jacket in the case of a continuation-in-part because the printer does not use the data of the prior application in setting up the heading when printing a continuation-in-part patent.

#### WALKER ON PATENTS, DELLER'S EDITION

"The novelty required in order that an invention may be protected by a patent is that it must be new. Statements that some things are not patentable because, though new in a commercial sense, they are not new in the eye of the patent law, occur in a few reported cases. *Boston Pencil Pointer Co. v. Auto. Pencil Sharpener Co.*, 276 Fed. 910, C.C.A. 2 (1921). In every such instance, however, it would have been more accurate to say that some things are not patentable because, though new things, they are not invented things. Such things lack patentability not because they lack newness, but because they lack invention. *Boston Pencil Pointer Co. v. Auto. Pencil Sharpener Co.*,

supra; Aro Equip. Corp. v. Herring-Wissler Co., 84 F. (2d) 619, C.C.A. 8 (1936). The question belongs to the domain of invention and not to that of novelty, and it is therefore treated in the third chapter of this book. With this explanation, it is not untrue nor misleading to say that whatever is really new, is new in the eye of the patent law. Therefore in order to negative novelty or, as it is usually expressed, to "anticipate" an invention, it is necessary that all of the elements of the invention or their equivalents be found in one single description or structure where they do substantially the same work in substantially the same way. Imhaeuser v. Buerk, 101 U.S. 647, 660, 25 L.Ed. 945 (1879); Bates v. Coe, 98 U.S. 31, 25 L.Ed. 68 (1878); Ottumwa Box Car Loader Co. v. Christy Box Car Loader Co., 215 Fed. 362, C.C.A. 8; Ventilated Cushion & Spring Co. v. D'Arcy, 232 Fed. 468, C.C.A. 6 (1916); Dow Chem. Co. v. Williams Bros. Well Treating Co., 81 F(2d) 495, 501, C.C.A. 10 (1936); Universal Oil Products Co. v. Winkler-Kock E. Co., 6 F.Supp. 763, 770, D.C., D. Del. (1934), aff'd 7 F. (2d) 991, C.C.A. 3 (1935)." (Vol. 1, pp. 254, 255.)

*Alexander Anderson, Inc. v. Eastman* (D.C.S.D. of Cal. C.D. 1936), 16 F. Supp. 513.

"Whenever printed publications, and particularly those in foreign languages, are relied upon as anticipations or to negative novelty in a method claim of a domestic patent, the publication must, within their four corners, clearly and fully describe the method claimed in the patent and under consideration, Seymour v. Osborne, 11 Wall. 516, 20 L.Ed. 33; Permutit Co. v. Harvey Laundry Co. (C.C.A.2) 279 F. 713, 718; Permutit Co. v. Wadham (C.C.A.6) 13 F. (2d) 454, 456; Loew Filter Co. v. German-American



Filter Co. (C.C.A.6) 164 F. 855; Naylor v. Alsop Process Co. (C.C.A.8) 168 F. 911, 917; Fulton Co. v. Bishop & Babcock Co. (D.C.) 17 F.(2d) 99." (P. 522)

*Balaban et al. v. Polyfoto Corporation*, 47 Fed. Supp. 472 at 477, 478.

"A device is new within the meaning of the patent laws unless all its elements can be found in a single prior description or structure where they do the same work in substantially the same way. *Chicago Lock Co. v. Tratsch*, 7 Cir., 72 F.2d 482, 487. As we have already pointed out, the prior art cited by the defendant in this case does not do the same work as the patent in suit and, consequently, not in substantially the same way. An invention is not anticipated by an accidental, incidental or unintentional use of some of its features unless the benefits or ensuing results from such use are appreciated or recognized. *Tilghman v. Proctor*, 102 U.S. 707, 711, 26 L.Ed. 279; *Edison Electric Light Co. v. Novelty Incandescent Lamp Co.*, 3 Cir., 167 F. 977, 980. The fact that, by transposing parts of the Wilson patent, the order of the Balaban invention can be obtained is not anticipation, for Wilson neither disclosed a combination such as the Balaban device nor did he appreciate the results to be obtained from such a combination." (p. 478)

*Bianchi v. Barili* (9th CA 1948), 168 F.(2d) 793, p. 796.

"In *Topliff v. Topliff and Another*, 145 U.S. 156, 161, 12 S.Ct. 825, 828, 36 L.Ed. 658, the Court said: 'It is not sufficient to constitute an anticipation that the device relied upon might, by modification, be made to accomplish the function performed by the patent in question, if it were not designed by its maker, nor adapted, nor actually used, for the performance of such functions.' " (p. 796)

*Ralph N. Brodie Co. et al. v. Hydraulic Press Mfg. Co.* (9th C.C.A. 1945), 151 F.2d 91.

"Both patents were regularly issued. Hence both patents and all claims thereof were presumptively valid.<sup>11</sup> Hence the burden of establishing the invalidity of claims 7, 9, 10, 11, 14 and 15 of patent No. 2,067,265 and claims 7, 8, 9 and 10 of patent No. 2,136,240 rested on appellants.<sup>12</sup>

All these claims were for combinations. Appellants alleged, in substance and effect, that these combinations were not new,<sup>13</sup> and that therefore the claims were invalid for lack of novelty. The question thus presented was one of fact.<sup>14</sup> On this question, appellants had the burden of proof.<sup>15</sup>

Appellants alleged, in substance and effect, that the combinations did not involve invention, but were merely the product of ordinary skill, and that therefore the claims were invalid for lack of invention. The ques-

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<sup>11</sup>*Radio Corporation of America v. Radio Engineering Laboratories*, 293 U. S. 1, 7-10, 54 S. Ct. 752, 78 L. Ed. 1453; *Reinharts v. Caterpillar Tractor Co.*, 9 Cir., 85 F. 2d 628, 630.

<sup>12</sup>See cases cited in footnote 11.

<sup>13</sup>See §4886 of the Revised Statutes, 35 U. S. C. A. §31.

<sup>14</sup>*Battin v. Tagger*, 17 How. 74, 84, 15 L. Ed. 37; *Reckendorfer v. Faber*, 92 U. S. 347, 352, 23 L. Ed. 719; *Leeds & Catlin Co. v. Victor Talking Machine Co.*, 213 U. S. 301, 312, 29 S. Ct. 495, 53 L. Ed. 805; *American Sales Book Co. v. Bullivant*, 9 Cir., 117 F. 255, 258; *Parker v. Stebler*, 9 Cir., 177 F. 210, 212.

<sup>15</sup>*Mumm v. Jacob E. Decker & Sons*, 301 U. S. 168, 171, 57 S. Ct. 675, 81 L. Ed. 983; *Parker v. Stebler*, *supra*; *San Francisco Cornice Co. v. Beyrle*, 9 Cir., 195 F. 516, 518; *Diamond Patent Co. v. S. E. Carr Co.*, 9 Cir., 217 F. 400, 402; *Los Angeles Lime Co. v. Nye*, 9 Cir., 270 F. 155, 163; *Schumacher v. Buttonlath Mfg. Co.*, 9 Cir., 292 F. 522, 531.

tion thus presented was one of fact.<sup>16</sup> On this question, appellants had the burden of proof.<sup>17</sup>

On both questions,—the question of novelty and the question of invention—the evidence<sup>18</sup> was conflicting. Resolving the conflicts in favor of appellee, the court found that the combinations were new, that they involved invention, and that therefore the claims were not invalid for lack of novelty or for lack of invention. These findings are supported by substantial evidence, are not clearly erroneous and should not be set aside.”<sup>19</sup>

In *Cold Metal Process Co. v. Carnegie-Illinois Steel Corporation*, (3rd C. C. A. 1939), 108 F. 2d 322, 323; *cert. den.* 309 U. S. 665; *op. withdrawn* upon *Stip.* 115 F. 2d 33.

“In considering the prior art as embodied in the many patents cited to show lack of novelty in Steckel’s combination, we here note case of *Skelly Oil Co. v. Universal Oil Products Co.*, 3 Ci., 31 F. 2d 427, 431, where, speaking for this court, Judge Woolley admirably stated the test as follows: ‘A patent relied upon as an

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<sup>16</sup>*Thomson Spot Welder Co. v. Ford Motor Co.*, 265 U. S. 445, 446, 44 S. Ct. 533, 68 L. Ed. 1098; *Stoody Co. v. Mills Alloys*, 9 Cir., 67 F. 2d 807, 812; *Reinharts v. Caterpillar Tractor Co.*, *supra*; *Wire Tie Machinery Co. v. Pacific Box Corp.*, 9 Cir., 102 F. 2d 543, 552; *Research Products Co. v. Tretolite Co.*, 9 Cir., 106 F. 2d 531, 534.

<sup>17</sup>*Hunt Bros. Fruit Packing Co. v. Cassidy*, 9 Cir., 53 F. 257, 259; *Reinharts v. Caterpillar Tractor Co.*, *supra*; *National Nut Co. v. Sontag Chain Stores Co.*, 9 Cir., 107 F. 2d 318, 333.

<sup>18</sup>The evidence consisted of 43 exhibits and the testimony of four witnesses. The exhibits included copies of the patents (Nos. 2,067,265 and 2,136,240) here involved and copies of 17 prior patents. The witnesses included appellee’s expert, Arthur M. Greene, Jr., and appellants’ expert, Alanson P. Brush.

<sup>19</sup>See Rule 52(a) of the Federal Rules of Civil Procedure, 28 U. S. C. A. following section 723c (p. 94).

anticipation must itself speak. Its specification must give in substance the same knowledge and the same directions as the specification of the patent in suit. *Otto v. Linford*, 46 L.T. (N.S.) 35, 44. It is not enough to prove that a method or apparatus described in an earlier specification can be made to produce this or that result. *Flour Oxidizing Co. v. Carr & Co.*, 35 R.P.C. 457. A singularly sensible test of the rule of anticipation is given in *British Thomson-Houston Co. v. Metropolitan Vickers Electrical Co.*, 45 R.P.C. 22, by asking the question—"Would a man who was grappling with the problem solved by the patent attacked, and having no knowledge of that patent, if he had had the alleged anticipation in his hand, have said: 'That gives me what I wish?'" *The Pope Alliance Corporation v. The Spanish River Pulp & Paper Mills, Ltd.* (Privy Council Appeals No. 33 of 1926).'

This was restated in this circuit in *Worthington Mower Co. v. Gustin*, 3 Cir., 80 F. (2d) 594, petition for certiorari denied, 297 U. S. 725, 56 S. Ct. 500, 80 L. Ed. 1008, and in *American Safety Table Co. v. Singer Sewing Mch. Co.*, 3 Cir., 95 F. 2d 543, 550, certiorari refused, 305 U. S. 622, 59 S. Ct. 82, 83 L. Ed. 397." (p. 323)

*Diebold, Inc. v. Record Files, Inc.*, 114 Fed. Supp. 375 (1953) D. C. N. D. Ohio E. D.

"The application of the Patent Codification Act to pending suits and suits on unexpired patents instituted after January 1, 1953, its effective date, must depend upon the particular section of the Act invoked and whether the facts giving rise to a new claim or defense under the Act occurred after its effective date.

While it is true that there are expressions of opinion in the decisions of the courts and in the legislative history that the Act was intended to be a codification, only, of the existing law (see *Thys Co. v. Oeste*, D.C. 111 F. Supp. 665; *New Wrinkle, Inc., v. Watson*, D. C. Cir., 206 F. 2d 421, cited by defendant,) it also is clear that some substantive changes were enacted by the Congress.

"Section 253 relating to disclaimers and now under consideration is one instance of such change. See Reviser's note under this Section, and Section 1,321, amended Rules of Practice of the U S. Patent Office, 35 U.S.C.A. Appendix. Thus, under the new Section only a claim 'as a whole' may now be disclaimed.

"This change in the law relating to disclaimers cannot benefit the present defendant, however, for the disclaimer in this case was filed under the old statute. The constitutional principle of due process prohibits the retroactive application of the new statute and a resultant invalidation of the plaintiffs' patent claims." (p. 376)

*Florence-Mayo Nuway Co. v. Hardy* (4th C. C. A. 1948) 168 F. 2d 778.

"The combination of Mayo, then, was new and useful and not anticipated in the prior art. We think it unquestionably involved patentable invention and not the application of mere mechanical skill. It is easy to say now that what Mayo did was simple and obvious; but nobody seems to have thought of doing what he did until he did it. Knowledge after the event is always easy, and problems once solved appear as never having presented difficulty. We must try, however, to avoid the danger which Judge Evans has recently pointed out

of thinking there is no invention merely because we can understand a mechanism after it has been explained to us. *National Slug Rejectors v. A. B. T. Mfg. Co.*, 7 Cir., 164 F. 2d 333, 336. As said by Mr. Justice McKenna in the *Grant Tire Case*, 'the law has other tests of the invention than subtle conjectures of what might have been seen and yet was not. It regards a change as evidence of novelty, the acceptance and utility of change as a further evidence, even as demonstration.' *Diamond Rubber Co. v. Consolidated Tire Co.*, 220 U.S. 428, 435, 31 S.Ct. 444, 447, 55 L.Ed. 527; *U. S. Industrial Chemical Co. et al v. Theroz Co.*, 4 Cir., 25 F. 2d 387; *Frick Co. v. Lindsay*, 4 Cir., 27 F. 2d 59. Applicable also is the following statement from the opinion in *Black & Decker Mfg. Co. v. Baltimore Truck Tire Service Corp.*, 4 Cir., 40 F. 2d 910, 914, where we said: 'To the presumption of validity attaching to the grant of the patent by the Patent Office, there is the additional presumption arising from the fact that the invention filled a want arising from a new situation, that it entered into immediate use, and that it met with pronounced commercial success. *Tenco Electric Motor Co. v. Apco Mfg. Co.*, 275 U.S. 319, 48 S.Ct. 170, 72 L.Ed. 298; *Diamond Rubber Co. v. Consolidated Rubber Tire Co.*, 220 U.S. 428, 31 S.Ct. 444, 55 L.Ed. 527; *Pangborn Corporation v. W. W. Sly Mfg. Co.*, 4 Cir., 284 F. 217. And in addition to this is the presumption arising from the imitation of the patented article by the manufacturer of the alleged infringing device. As to this, we agree with what was said by Judge Hough, speaking for the Circuit Court of Appeals of the Second Circuit in *Kurtz v. Belle Hat Lining Co.*, 280 F. 277, 281: "The imitation of a thing patented by a defendant, who denies invention, has often been regarded, perhaps espe-

cially in this circuit, as conclusive evidence of what the defendant thinks of the patent, and persuasive of what the rest of the world ought to think.”

“See also *Goodyear Tire & Rubber Co. v. Ray-O-Vac Co.*, 321 U.S. 275, 279, 54 S.Ct. 593, 88 L.Ed. 721, and *Hoeltke v. C. M. Kemp Mfg. Co.*, 4 Cir., 80 F. 2d 912; *Brown and Sharpe Mfg. Co. v. Kar Engineering Co. Inc.*, 1 Cir., 154 F. 2d 48.” (p. 781 and 782.)

*Grever v. United States Hoffman Co.* (6th C. C. A. 1913) 202 F. 923.

“It was not merely a reversal of parts, but a discovery that, by the reversal of the parts, and adaptation that was simple enough after the reason for the change was observed, he could get a new result, and that the parts so combined would co-act in a different manner, and from such new co-action and such new result it follows there was invention.” (p. 925)

*International Cellucotton Products Co. v. Sterilek Co., Inc.* (2d C. C. A. 1938), 94 F. 2d 10.

“The validity of the other claims in suit, depends upon what the art had known. There had been a machine in use since 1910 or 1912—*Marcus*, No. 1,038,493—which made such pads by cutting sections of filler from a continuous web, depositing them upon a gauze web and folding the wrapper around them. The pads themselves were composite, being first built up out of two layers; and the mechanism for wrapping both the outer layer of the pads and the gauze, was in general the same as *Bauer's*. This was the nearest reference in the immediate field, and to it we shall recur. However, the examiner cited against these claims, as well as against

claim 19, the "Johnson & Johnson machine," which we have just mentioned, but about whose structure the file-wrapper tells very little. To escape this reference Bauer limited the claims in suit to a machine in which the gauze ran at right angles to the filler web, just as he introduced into claim 19, the other clause just considered. The defendant bases its case very largely on the assumption that by so doing he conceded that the prior art anticipated the claims except for this interpolated feature. This has been sometimes said in the case of disclaimers, which are in substance limitations imposed after issue; but it is a mistaken view of the law. When an inventor consents to limit his monopoly, there is no reason in fact to impute to him the belief that his only patentable advance lies in the element so introduced. He may merely think that he still retains enough for practical purposes, and that the examiner's insistence does not justify the expense of an appeal. Nor is there any reason to impose upon him the same consequence as though he had formally so conceded; it is enough that he has freed the art except as the claim reads, and that he has surrendered any power under the doctrine of equivalents to resume what he has given up. He has done nothing which need prevent him from insisting in support of the claim as allowed that his invention was broader than the examiner supposed; he is not confined to the examiner's reasoning or committed to his mental processes. *United Chromium v. International Silver Co.*, 2 Cir., 60 F.2d 913, 915. We cannot therefore recognize the 'Johnson & Johnson machine' for any purpose whatever; it was not proved as a prior use, and until it was, the defendant might not rely upon it." (p. 12)



*Jacuzzi Bros., Inc. v. Berkeley Pump Co.*, (9th C. C. A. 1951) 191 F. 2d 632.

"A true combination which performed a new function necessarily must be found as a whole in a prior patent or publication in order to accomplish destruction of a grant of monopoly. *Imhaeuser v. Buerk*, 101 U.S. 647, 660, 25 L.Ed. 945; *Adams v. Bellaire Stamping Co.*, 141 U.S. 539, 542, 12 S.Ct. 66, 35 L.Ed. 849." (p. 637)

*Kirsch Mfg. Co. v. Gould Mersereau Co., Inc.* (2d C. C. A. 1925), 6 F. 2d 793.

"\* \* \* An invention is a new display of ingenuity beyond the compass of the routinier, and in the end that is all that can be said about it. Courts cannot avoid the duty of divining as best they can what the day to day capacity of the ordinary artisan will produce. This they attempt by looking at the history of the art, the occasion for the invention, its success, its independent repetition at about the same time, and the state of the underlying art, which was a condition upon its appearance at all. Yet, when all is said, there will remain cases when we can only fall back upon such good sense as we may have, and in these we cannot help exposing the inventor to the hazard inherent in hypostatizing such modifications in the existing arts as are within the limited imagination of the journeyman. There comes a point when the question must be resolved by a subjective opinion as to what seems an easy step and what does not." (p. 794)

*Kurtz v. Belle Hat Lining Co.* (2nd C. C. A. 1922), 280 F. 277.

"The imitation of a thing patented by a defendant, who denies invention, has often been regarded, perhaps

especially in this circuit, as conclusive evidence of what the defendant thinks of the patent, and persuasive of what the rest of the world ought to think. *David v. Harris*, 206 Fed. 902, 904, 124 C.C.A. 477; *Smith v. Peck* (C.C.A.) 262 Fed. 415, 417. Commercial success has been too recently and too often considered to justify much citation; but, however unsafe as a guide (*Boston, etc. Co. v. Automatic* [C.C.A.] 276 Fed. 910), it has always been a powerful piece of evidence, especially when the prior art shows no success along the same lines (*David v. Harris, supra*).” (p. 281)

*In Lincoln Stores v. Nashua Mfg. Co.*, (1st C. C. A. 1946), 157 F. 2d 154; *cert. den.* 329 U. S. 811; 67 S. Ct. 623; 91 L. Ed. 692.

“The prior art will not anticipate a patent for a combination unless it discloses ‘all the elements of such combination, or their mechanical equivalents, functioning in substantially the same way to produce substantially the same result’; and a prior patent does not anticipate a subsequent patent where the prior patent failed to solve the problem which the subsequent patent solves successfully. *Williams Iron Works Co. v. Hughes Tool Co.*, *supra*, 109 F. 2d at page 506, 510.” (p. 160)

*Loew Filter Co. v. German-American Filter Co. of N.Y.* (6th C. C. A. 1908), 164 F. 855.

“Neither do we think the Zimmer article an anticipation of Stockheim’s first, second, or fourth claim. While Zimmer points out that ‘no air should be allowed to pass into the filter,’ and that a delivery of foamless beer from the outlet side of the filter is dependent upon there being ‘no air in the apparatus’ and a proper back pressure, yet he does not disclose how the admission of air is to

be prevented, or how air which may be originally in the apparatus, or which may enter during the operation, is to be expelled without passing through the filter, to the injury of the filter material as well as to the beer. Zimmer seems to refer chiefly to preventing the admission of air to the apparatus, meaning, probably, during the operation of filtering. Touching such admissions, he refers to the use of a well-known 'special contrivance provided to prevent this.' What this contrivance was, or how it operated, he does not tell us, nor have we any means of knowing. Prof. Mabery, an expert for appellants, gives it as his opinion that by this reference to the exclusion of atmospheric air he meant the 'luft sammler,' or air collector, which is attached to the large filter used by the Hammels at Socorro and described in Michel Brewery Book. The contrivance referred to by Zimmer can only be shown by evidence that it was either in known common use or had been described by some publication of which the general public must take notice. The Zimmer publication must be given effect as an anticipation only to the extent that it actually gave to the public information of a process of filtration. It is not competent to read into such a publication information which it does not give, or by expert opinion explain an otherwise uninforming statement by evidence of some apparatus or article not itself competent as an anticipation. *Badische Anilin & Soda Fabrik v. Kalle & Co.*, 104 Fed. 802, 44 C.C. 201." (p. 860)

*Maulsby v. Conzevoy* (9th C. C. A. 1947), 161 F. 2d 165.

"Appellee alleged, in substance and effect, that the methods described in the claims were not new, and that

therefore the claims were invalid for lack of novelty. The question thus presented was one of fact.<sup>2</sup>

"Appellee alleged, in substance and effect, that the methods described in the claims did not involve invention, but were merely the product of ordinary skill, and that therefore the claims were invalid for lack of invention. The question thus presented was one of fact.<sup>3</sup>

"On both questions—the question of novelty and the question of invention—the evidence was conflicting. Resolving the conflicts in favor of appellee, the court found that the methods were not new, that they did not involve invention, and that therefore the claims were invalid for lack of novelty and for lack of invention. These findings are supported by substantial evidence, are not clearly erroneous and should not be disturbed."<sup>4</sup>

*J. A. Mohr & Son v. Alliance Securities Co.*, 14 Fed. 2d, 799.

"It is to be borne in mind that the prior art here relied upon consists entirely of patents, and that when

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<sup>2</sup>*Battin v. Taggart*, 17 How. 74, 84, 15 L. Ed. 37; *Reckendorfer v. Faber*, 92 U. S. 347, 352, 23 L. Ed. 719; *Leeds & Catlin Co. v. Victor Talking Machine Co.*, 213 U. S. 301, 312, 29 S. Ct. 495, 53 L. Ed. 805; *American Sales Book Co. v. Bullivant*, 9 Cir., 117 F. 255, 258; *Parker v. Stebler*, 9 Cir., 177 F. 210, 212; *Ralph N. Brodie Co. v. Hydraulic Press Mfg. Co.*, 9 Cir., 151 F. 2d 91, 94.

<sup>3</sup>*Thomson Spot Welder Co. v. Ford Motor Co.*, 265 U. S. 445, 446, 44 S. Ct. 533, 68 L. Ed. 1098; *Stoody Co. v. Mills Alloys*, 9 Cir., 67 F. 2d 807, 812; *Reinharts v. Caterpillar Tractor Co.*, 9 Cir., 85 F. 2d 628, 630; *Wire Tie Machinery Co. v. Pacific Box Corp.*, 9 Cir., 102 F. 2d 543, 552; *Research Products Co. v. Tretolite Co.*, 9 Cir., 106 F. 2d 530, 534; *Ralph N. Brodie Co. v. Hydraulic Press Mfg. Co.*, *supra*; *Crowell v. Baker Oil Tools*, 9 Cir., 153 F. 2d 972, 978.

<sup>4</sup>Rule 52(a) of the Federal Rules of Civil Procedure, 28 U. S. C. A. following section 723c; *Ralph N. Brodie Co. v. Hydraulic Press Mfg. Co.*, *supra* (p. 167).

it is sought by means of prior patents to ascertain the state of the art, 'nothing can be used except what is disclosed on the face of those patents. They cannot be reconstructed in the light of the invention in suit, and then used as a part of the prior art.' *Naylor v. Alsop Process Co.*, 168 F. 911, 94 C.C.A. 315; *Frey v. Marvel Auto Supply Co.*, 236 F.916, 150 C.C.A. 178." (p. 800)

*Patterson-Ballagh Corp. et al v. Moss et al* (9th C. C. A. 1953), 201 F. 2d 403.

" \* \* \* It is agreed that the spooler disclosed in the Moss patent shows every element of the Reed patent, except that in the Moss patent the spooler is suspended from a hinging line attached to an eye at the top of the spooler in such a manner as to enable the spooler to hang substantially parallel to the drilling line which passes through it. In the Reed patent the eye is placed in the middle or longitudinal center of the spooler. It is conceded that hanging the spooler from the middle eye causes greater pressure upon the drilling line from the spooler, and, therefore, more rapid wear. \* \* \*" (p. 405)

"The Moss spooler represents one of the more recent efforts to deal with an old problem, that is, the problem of lateral whip of the drilling line between the crown block and the cylinder drum. Previous spoolers had succeeded at least to some extent in diminishing the whip of the cable. However, the Moss spooler, with its eye for the hanging line at the top, was the first spooler not only to diminish the lateral whip of the line but also to substantially eliminate the frictional wear on the line caused by the spooler itself when hung in a different manner, for example, from a middle eye as in the Reed patent.

" \* \* \*

“It is quite apparent that simplicity alone will not preclude invention. Hindsight tends to color the seeming obviousness of that which in fact is true contribution to prior art. ‘Knowledge after the event is always easy, and problems once solved present no difficulties, indeed, may be represented as never having had any, and expert witnesses may be brought forward to show that the new thing which seemed to have eluded the search of the world was always ready at hand and easy to be seen by a merely skillful attention.’ *Diamond Rubber Co. v. Consolidated Rubber Tire Co.*, 1911, 220 U.S. 428, 435, 31 S.Ct. 444, 447, 55 L.Ed. 527.

“If hanging a spooler from an eye at the top was obvious to one skilled in the art, including a practical man of the oil fields, we do not understand why appellants manufactured their spoolers with an eye in the middle from July 1936 to July 1937. There are other unanswered questions. If appellants finally changed the eye on their spoolers from the middle to the top in July 1937 in response to suggestions received from men working in the oil fields, as they allege, why were these men not brought forward to testify? If these suggestions were received in 1936 and 1937, why were they not incorporated in a patent application for a spooler filed by appellants in December 1936, and the Reed patent application filed in May 1937?

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“Appellants had the burden of proof on the question of the validity of the Moss patent since a presumption of validity arises from the issuance of a patent. *Mumm v. Jacob E. Decker & Sons*, 1937, 301 U.S. 168, 171, 57 S.Ct. 675, 81 L.Ed. 983; *Radio Corporation of America v. Radio Engineering Laboratories, Inc.*, 1934, 293 U.S.

1, 7, 55 S.Ct. 928, 79 L.Ed. 163. Reasonable doubts must be resolved in favor of the validity of the patent. The presumption created by the action of the Patent Office is the result of the expertness of an administrative body acting within its specific field and can be overcome only by clear and convincing proof. The District Court found that the appellants had not met this burden of proof. It did not err." (p. 406)

*Permutit Co. v. Harvey Laundry Co.* (2d C. C. A. 1922) 279 F. 713, 719, *cert. den.* 259 U. S. 588.

"If prior patents and publications can be reconstructed by extraneous efforts to fit the exigency of the case, it would, as was said in *Badische Anilin & Soda Fabrik v. Kalle & Co.*, 104 Fed. 802, 44 C. C. A. 201, require an inquiry, not only as to what the publication communicates to the public, but 'it will be transferred to an endeavor to ascertain what its author intended to communicate.' We cannot read into this article what is not there, and which it would be necessary to obtain from the later development of the art in order to meet with appellee's success." (p. 719)

*Pointer v. Six Wheel Corporation*, (9th C. C. A. 1949), 177 F. 2d 153.

"A test which has been found very useful and generally followed is that adverted to by Mr. Chief Justice Taft in the case just referred to,—namely, the discovery of the source of the difficulty and the application of a remedy not thought of before. \* \* \*

"Of course, if in solving the difficulty, the inventor merely does what would have been manifest to one skilled in the art, merely substitutes an obvious element

for another, or recombines old elements, there is no invention. \* \* \*

“By the same token, invention cannot be defeated merely by showing that, in one form or another, each element was known or used before. \* \* \*

“The question is: Did anyone before think of combining them in this manner in order to achieve the particular unitary result,—a new function? *If not, there is invention.* \* \* \*

“At times, the result is accomplished by means which seem simple afterwards. But, although the improvement be slight, there is invention, unless the means were plainly indicated by the prior art.” (pp. 160-161)

*Ex Parte Roberts*, 1887 C. D. 61-64, 40 O. G., 573.

“On January 10, 1887, an application, Serial No. 217,-773, previously filed by applicant, was allowed, showing and describing a certain construction of a smoke-condenser, comprised of a number of parts, which, though they could be used together as a complete and practicable apparatus, were so far independent as to one or two of them that they could be used separately. The application was capable of division. One of these features, called the ‘globular revolving sprinkler,’ or ‘central chamber,’ had not been claimed specifically, though in the second claim it was mentioned in combination with another feature.

“On February 8, 1887, applicant petitioned the Commissioner for permission to withdraw the case from issue, and to amend by adding claims embodying this feature. The request was disapproved by the Examiner, and the Com-



missioner denied the petition upon the ground, stated in his decision, that applicant's remedy was to file a separate application for this feature of his invention. It will not escape notice that there was no reservation in the original application, and in this state of the case applicant had no other alternative but to rely upon a second application, which he did, filing the same on March 12, 1887, a few days before the patent in the original case issued. The Office required no cross-references and none were filed. The Examiner rejected this second application, holding that when two applications are pending, one showing but not claiming an invention *claimed* in the other, if cross-disclaimers are not filed under Rule 42, a patent issued upon the former application is a bar to the issuance of a patent upon the latter. He accordingly refused to consider the application, his decision being expressed as follows:

"The above application can not be considered, as applicant has failed to insert a disclaimer in application filed November 2, 1886, now Patent No. 360,052, as required by Rule 42. (See *Ex parte Ransom*, 39 O. G., 119.)

"From this decision applicant appeals to the Commissioner.

"Rule 42 provides that when there are two or more applications pending—  
relating to the same subject-matter of invention, all showing but only one claiming the same thing, those not claiming it must contain disclaimers thereof, with reference to the application claiming it.

"But there is nothing in the rules, nor is there any statutory provision to the effect that a failure to file such dis-

claimer should deprive applicant of his right to a patent, or invalidate one issued upon the second application. The rule does not and could not constitute a statutory bar" (pp. 62-63).

\* \* \* \* \*

"The action of the examiner is reversed, and the case is remanded, with directions to consider the application and to proceed in its consideration in accordance with the principles announced in this decision." (p. 64)

*Safety Car Heating & Lighting Co., Inc. v. General Electric Co.* (2d C.C.A. 1946), 155 F.2d 937.

"Courts made up of laymen as they must be, are likely either to underrate, or to overrate, the difficulties in making new and profitable discoveries in fields with which they cannot be familiar; and, so far as it is available, they had best appraise the originality involved by the circumstances which preceded, attended and succeeded the appearance of the invention. Among these will figure the length of time the art, though needing the invention, went without it: the number of those who sought to meet the need, and the period over which their efforts were spread: how many, if any, came upon it at about the same time, whether before or after: and—perhaps most important of all—the extent to which it superseded what had gone before." (p. 939)

*Stauffer v. Slenderella Systems of California* (9th C.C.A. 1957), 254 F.2d 127.

"Anticipation is strictly a technical defense. Unless all of the same elements are found in exactly the same situa-

tion and united in the same way to perform the identical function in a prior pleaded patent, there is no anticipation.

"The advances in the prior art may be such that, although there is no strict anticipation and even though the devices involved may not be similar, a trained mechanic would, if presented with the problem, solve it without difficulty.<sup>2</sup> The court found affirmatively that the Stauffer device did not contain invention.

"There was a collateral question in the case introduced under the theory that imitation of a device is a pragmatic test of invention and that commercial success of a device is evidence of utility, and an inference of the existence of invention may also be found therein. This Court and other courts have used these factors as some evidence to sustain a finding of fact of patentability."<sup>3</sup>

In *Texas Co. v. Globe Oil & Refining Co.* (D.C. N.D. Ill. E.D. 1953), 112 F. Supp. 455; aff'd 225 F. 2d 725.

"In evaluating the prior art, it is to be considered from the standpoint of the men in the art at the time the invention was made, and may not be reconstructed in the light of

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<sup>2</sup>"A patent may not be obtained . . . if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." 35 U.S.C.A. § 103. *Oriental Foods, Inc. v. Chun King Sales, Inc.* (9 Cir.), 244 F. 2d 909; *Schmeiser v. Thomasian* (9 Cir.), 227 F. 2d 875.

<sup>3</sup>"Commercial success may be taken into consideration in determining validity. The trend . . . is to use it as a makeweight only 'where the patentability question is close.' . . .

" . . . it is not a criterion . . . in determining whether there was invention." *Pointer v. Six Wheel Corporation*, (9 Cir.), 177 F. 2d 153, 156, and cases cited therein.

"But commercial success without invention will not make patentability. *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corporation*, 340 U. S. 147, 153, 71 S. Ct. 127, 130, 95 L. Ed. 162" (p. 128).

the present day knowledge; National Slug Rejectors, Inc. v. A.B.T. Mfg. Corporation, 7 cir., 1947, 164 F.2d 333. In considering the bearing of the patents and publications cited as prior art or anticipation, the basic question is what does the cited reference itself say—not what it might have said or what might be done with it by a present day expert, adding present day knowledge. Young Radiator Company v. Modine Mfg. Co., 7 Cir., 1931, 55 F.2d 545.” (p. 483) *Timken-Detroit Axle Company v. Eaton Axle & Spring Company*, (D.C., N.D. Ohio E.D. 1931) 56 F.2d 651

“ . . . The rule permitting the inventor to have the benefit of an earlier filing date, in the case of two applications, limits such advantage to subject matter common to both applications. I think the formalities of the application are not controlling where it may be fairly determined that the inventor was endeavoring to secure protection for the same idea in the latter as in the earlier application, and that the substantial features of his conception are disclosed in the earlier application. It is not essential that every detail be common to both.

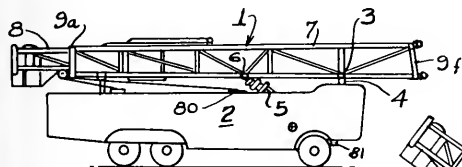
“An examination of the two applications, with the attendant treatment and patent office history, justifies the finding and conclusion that Rockwell is entitled to the benefit of the earlier date. Disclosure was substantially made to those skilled in the art, in the earlier application, *though no reference appears by words in the latter*. I find that plaintiff is entitled to the benefit of November 6, 1922, as the date of application for the patent in suit.” (Emphasis added.) (pp. 651-652)

*Trussell Mfg. Co. v. Wilson-Jones Co.* (2nd C.C.A. 1931), 50 F.2d 1027.

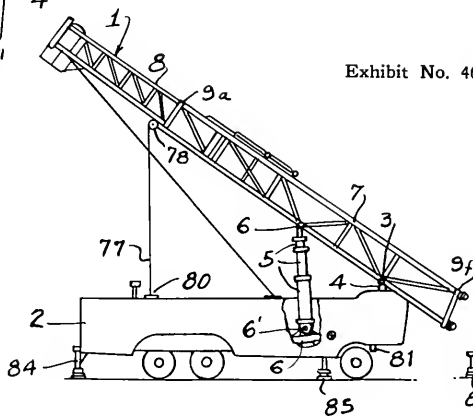
"Concededly the best reference is the patent to F. Von Schlegel, issued in 1908. It is urged that this shows a binder having a back-plate embedded in flaps of the cover which must have been slitted or skived to received it. But this contention depends altogether upon the drawings and the hatchings which they show. We need not say that never in any circumstances could drawings alone be enough to prove an anticipation, though the language used in some of the cases might seem to go so far. See *A. R. Mosler & Co. v. Lurie*, 209 F. 364, 366 (C.C.A. 2); *Gray Telephone Pay Station Co. v. Baird Mfg. Co.*, 174 F. 417, 421 (C.C.A. 7). But even if drawings may at times be enough, the rule is perfectly settled, and it is a useful one, that to be an anticipation the disclosure must be clear. *Atlantic Gulf & Pac. Co. v. Wood*, 288 F. 148, 155 (C.C.A. 5); *Skelly Oil Co. v. Universal Oil Products Co.*, 31 F. (2d) 427, 431 (C.C.A.3); *Canda v. Mich. Malleable Iron Co.*, 124 F.486, 492 (C.C.A.6). Von Schlegel's patent does not meet this requirement. It is pure conjecture, and that merely from the drawings without the aid of any text, whether Von Schlegel meant what Trussell later disclosed, or meant only the familiar built-up type of cover.

"This is equally true of the German patent to Gebruder Friedrichs, which was not pleaded as a technical anticipation, but was offered in evidence to show the state of the art. The construction of this cover and back is even more difficult to conjecture than is Von Schlegel's. This dis-

closure is not sufficiently clear to satisfy the rule already mentioned. Indeed, it has been urged that that rule must be applied more strictly to foreign than to domestic patents. Much may be found in the books which seems to support such a distinction. See *Seymour v. Osborne*, 11 Wall. 516, 555, 20 L.Ed. 33; *Hanifen v. E. H. Godshalk Co.*, 84 F. 649, 651 (C.C.A. 3); *In re Ek*, 57 App. D.C. 203, 19 F. (2d) 677, 678. However, we see little basis for it. An inventor is charged with knowledge of whatever the prior art discloses, but the disclosure, to be an anticipation, must be clear and certain. Why it need be more clear in a foreign patent than domestic one, we confess is not obvious to us. But we need not now determine whether the distinction is too firmly established to be disregarded. We mention it merely by way of a caveat." (p. 1029)

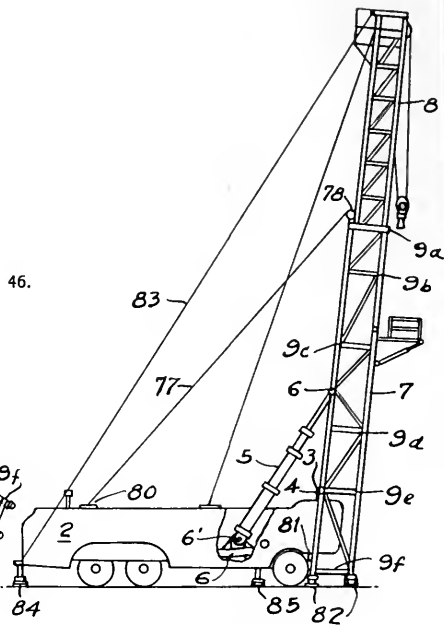


*Fig. 1.*



*Fig. 2.*

Exhibit No. 46.



*Fig. 3.*

JAMES MOON  
INVENTOR.  
BY *Wm. L. Sullivan*  
ATTORNEY

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下



Pages 1-5 of Specification of Serial No. 10,412; filed Feb.  
24, 1948 (Ex. 46)

SPECIFICATION

1. TO ALL WHOM IT MAY CONCERN:

Be it known that I, JAMES MOON, a citizen of the United States residing in Altadena, County of Los Angeles, State of California, have invented a new and  
5. useful ERECTION AND EXTENSION MECHANISM FOR PORTABLE MASTS, of which the following is a specification:

Portable drilling and servicing rigs are commonly employed in the petroleum production for the drilling and servicing of wells. Such rigs are usually trans-  
10. ported on trucks or trailers which carry a mast or derrick which may be positioned on the truck and erected at the drilling site. These masts are usually composed of one or more sections, usually two, in such form that the upper section may be telescoped  
15. into the lower section when the derrick is to be transported, and upon erection of the lower section, by rotation of this section about a hinge point on the truck, the telescoped derrick may be withdrawn or extended from the lower section to give a mast of the desired  
20. height. This type of mast for such purposes is now conventional and is described in Patent No. 2,204,713 and in my co-pending applications Serial Nos. 677,031 and 785,165.

Since such masts are called upon to carry tremen-  
25. dous loads on the order of 200,000 pounds, it is important that when the derrick is extended the extensible portion be securely latched in position in the lower portion.

1. In a co-pending application, Serial No. 785,165, I have disclosed an automatic latching mechanism which is independent of the human element and acts to automatically latch the extensible section of the mast to the
5. lowermost section when the extensible mast section has reached a predetermined position in relation to the lower section during the extension thereof and will hold the upper section securely in position under all loads designed to be taken by the derrick, and will also
10. automatically unlatch and move into an inoperative position when the derrick is to be retracted and remain in that position during the retracton thereof.

It is a particular object of the present application to devise a mechanism for erecting the derrick from a

15. horizontal to a vertical position and also provide mechanism for extending the derrick during its erection.

- It is a further object of my invention to provide an elevating and erecting mechanism in which the telescoping derrick section, during elevation thereof from
20. a horizontal position on the truck to an erect position, is withdrawn. The force exerted on the telescoping section during the withdrawal thereof is supplied by its mechanism for erecting the derrick. The consequence of my erecting and elevating mechanism is that
  25. there is, during the erection thereof, a net reactive restoring force acting to move the derrick to horizontal position against the applied erecting force. Means are also provided whereby the weight of the telescoping section also acts as a restoring force to
  1. move the derrick to collapsed and horizontal positions and means for controlling this rate of collapse and restoration.

These objects are accomplished by hanging the telescoping section on a line fixed at one end to the derrick support and carried on the lower hinged section. Upon elevation of the lower section by rotation of the lower section on its hinge, the telescoping derrick is withdrawn.

10. I may elevate the derrick by means of any mechanism such as the screw and lever arrangement shown in Patent No. 2,204,716 or in my co-pending application Serial No. 691,717, filed August 20, 1946, but I prefer to employ a hinged hydraulic jack for this purpose. I
15. may thus erect and extend the derrick by extending the jack and because of the net restoring or reactive load I may, by bleeding the cylinder of the hydraulic jack, cause the derrick to collapse and settle back upon the derrick by means of the dashpot action of the
20. hydraulic jack.

These and other objects of my invention will appear clear from the following description taken together with the drawings, in which

- Fig. 1 is a side elevation, partly schematic, of the
25. extensible mast of my invention in its fully retracted position on the vehicle.

Fig. 2 shows the derrick in partly erected position;

Fig. 3 shows the derrick in fully erected position.

Fig. 4 is a schematic load and force diagram showing the forces acting on the erecting and extending mechanism;

1. Fig. 5 is a section taken along the line 5-5 of Figs. 6 and 7, showing also the valves and lines in schematic form;

Fig. 6 is a section taken along the line 6-6 of Fig. 5;

5. Fig. 7 is a vertical elevation of the derrick with parts broken away for a more clear showing;

Fig. 8 is a detail section taken along line 8-8 of Fig. 7;

- Fig. 9 is a section taken along the line 9-9 of Fig. 10, showing the details of the latching mechanism;

Fig. 10 is a section taken along line 10-10 of Fig. 9;

- Fig. 11 is a fragmentary detail of one of the legs of the extensible section showing the relationship between the legs and the valve actuating mechanism in one position.

Fig. 12 is similar to Fig. 11, but showing the valve actuating mechanism in another position; and

Fig. 13 is a section of the jack erecting mechanism.

- Derrick 1 may be mounted upon truck 2 in any conventional manner, such as shown in Patent No. 2,204,713 or in my co-pending application Ser. No. 691,717, where it is usually mounted upon the end of the truck, or may be mounted upon the front of the truck, as is shown in my co-pending application Ser. No. 776,631, filed September 29, 1947.

- The derrick or mast is hingedly mounted at 3 (adjacent the lower end of the lower section)\* upon a pair of trusses 4, one mounted upon each side of the truck 2 whose chassis forms a platform on which the mast is mounted. The derrick or mast is retracted onto the platform or is erected by rotation around hinge 3 by an extensible jack 5 which is hingedly connected to derrick 1 at 6 and to truck 2 at hinge 6'. Such connection of the extensible hydraulic jack 5 for the erection

---

\*Inserted by amendment 5/9/52.

and retraction of the derrick is conventional and is shown in the aforementioned patent.

The derrick 1 is composed of a lower section 7 and

5. an upper section 8 which is telescoped into section 7 when the derrick is retracted, and may be extended from section 7 to an elevated position as shown in Fig. 3. Lower section 7 is separated into a number of panel sections by horizontal box girders 9a to 9f, inclusive, 9a forming the top girder of the lower section and 9f forming the lowermost girder thereof. These girders connect the front legs 12 and 13 and the rear legs 10 and 11 of the lower section, as shown in Figs. 5 and 6.
15. Mounted on the front end of each of the box girders adjacent the front legs 12 and 13 are guide channels 14 which extend between each of the adjacent box girders 9a to 9f, inclusive. These are connected to the box girders in the manner shown most clearly in Fig.
20. 6. At each of the box girders adjacent each of the legs 10, 11, 12, and 13 is a semi-circular channel member 13' welded to the box girders and connected to the legs 10, 11, 12, and 13, respectively, by a gusset 13a. Circular guide channels 14 are connected (by weld-
25. ing) by spacers 15 to the channels 13' to provide a space between the channels 14 and 13' for purposes to be described hereinbelow.

The front legs of the upper telescoping section, shown at 17, are guided in the channel member 14 mounted adjacent the front legs 12 and 13, and the back legs 18 of the telescoping inner section are mounted and guided in guide channels 14 mounted adjacent the rear legs 10 and 11. The inner section



No. 16132

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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JAMES MOON, EDMOND M. WAGNER and PHILIP SUBKOW,  
*Appellants,*

*vs.*

CABOT SHOPS, INC., and HOWARD SUPPLY COMPANY,  
*Appellees.*

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## APPELLANTS' REPLY BRIEF

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FILED

APR 13 1959

PAUL P. O'BRIEN, CLERK





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---

**APPELLANTS' REPLY BRIEF**

---

**1. Appellees Have Avoided Answering the Appellants  
on Most of the Issues Raised by the Appeal.**

In Appellants' Opening Brief at pages 47 and 48 we stated the questions upon whose answer it was believed the issue of infringement turned. We respectfully refer the Court to this statement.

The Appellees have ignored these issues and have based their support of the Court's judgement solely on a file wrapper estoppel. They have baldly asserted that claim 2 is not "literally infringed" by Appellees' drive-in units and have ignored all of the other claims on this issue. They have abandoned the District Court on the ground upon which the Court found no infringement. This ground is stated in the Court's Conclusion of Law that the prior art limits the range of equivalents to which the claims are

entitled and that the range of equivalents does not include the accused devices. Although the presence of a file wrapper estoppel was argued, the Court did not base its judgment of non-infringement on any file wrapper estoppel. It is also significant to note that Appellees have rested their case entirely on the effect of the file wrapper estoppel as applied to claim 1. They have said nothing as to whether or not claims 2-5 are also limited by the file wrapper so that Appellees' structure does not infringe. They lump claims 2-5 with claim 1 by innuendo.

**2. Appellees Have Made No Answer to Appellants' Contention That by Their Clear Language Claims 2-5 May Not Be Restricted to Only the Form Shown by Fig. 3 and 6 of the Patent.**

We have by detailed analysis of the claims shown that in claims 2-5 the word "straddle" in claims 2-4 refers to all four legs of the derrick. The word "straddle" in claims 2-4 refers to the front legs as well as the rear legs. Whatever the word means with respect to the rear legs it means the same thing with respect to the front legs. This can only mean that two legs are to one side and two legs are to the other side of the driver's position. This is certainly true of claim 5 which makes no reference to straddling.

Claim 1 does locate the driver's position which respect to the rear legs but this is done by stating that the driver's position enters the free space between the rear legs. It is this statement which locates the rear legs fore and aft of the chassis. We have discussed these points at pages 53-58 of Appellants' Opening Brief.

To construe the claims 2-5 to require that the driver's position enter the free area between the rear legs would impart to claims 2-5 the limitations of claim 1. Rules of

claim construction require that the limitations of one claim be not introduced into another claim which is itself not broader than the invention. We have discussed this point at pages 82-86 of Appellants' Opening Brief.

Further Appellees' position would restrict the claims to a particular form of the invention which was never, either in the specification or in the argument presented in the prosecution of the patent made to be an important criterion of the invention. The drawings are merely illustrative and nothing in the specification makes the particular location of the legs, such as is shown in the drawings of the patent, of any critical significance. The specification of the Patent Exhibit 1 Record Page 638 line 70 *et seq.* Column 4 states:

"While I have described a particular embodiment of my invention for the purpose of illustration, it should be understood that various modifications and adaptations thereof may be made within the spirit of the invention as set forth in the appended claims."

The claims 2-5 may therefore not be so restricted so that a modification within the spirit of the claimed invention is excluded from the claims.

We have discussed this part at pages 77-82 of the Appellants' Opening Brief.

**3. Except by Reference to Claim 2, the Appellees Have Made No Reply to the Appellants' Contention That Claims 2-5 Read on the Appellees' Drive-in Unit.**

The language of claims 2-5 is "literally infringed" by Appellees' structure. Appellees state that the language of claim 2 (no reference is made to claims 3-5) is not "literally infringed" and give as their reason that the hinge in

their construction is at the "extreme upper front corner of the truck" and that the derrick is all forward of the vehicle. (Appellees' Brief pp. 8 and 9.) Both the conclusion and the fact alleged in support thereof are incorrect.

Reference to Exhibit 59 [R. p. 773] and Exhibit 84 [R. p. 774], Exhibits 57, 95, 93, 94, 77, 81, 54, 62, 55, 60, 63, 65 reproduced in the Appendix to Appellants' Opening Brief and Exhibit C in the Appendix to Appellees' Brief will show that in all cases the hinge is behind the front end of the truck.

We have shown that the rear legs of the derrick in the Appellees' drive-in unit reach the ground through a pyramidal truss formed by the outrigger and the hinge supporting structure. This pyramidal truss embraces the cab and is to the immediate right and left of the driver. This structure is substantially the same as that formed by the hinge supporting frame work and the rear legs illustrated in Fig. 3 and 6 of the Patent Exhibit 1. We have discussed this point in Appellants' Opening Brief at pages 36-46 and 58-63.

It is significant to note that Mr. Woody, Chief Engineer of Appellees, Cabot Shop Inc., in describing the Appellees' structure used the word "straddle" to describe the transverse extent of the legs of Appellees' derrick [see R. pp. 594-595 quoted p. 37 of Appellants' Opening Brief].

The legs of Appellees' derrick functionally and structurally "straddles" the cab and driver position in the cab even if the word "straddle" is to be limited in the sense urged by Appellees.

**4. The Appellees Have Made No Contention That the Prior Art Limits the Claims to a Particular Construction Which They Do Not Employ.**

They have abandoned the District Court on this ground. We have made a thorough analysis of the prior art in evidence on this point in pages 64-75 of Appellants' Opening Brief and have shown that none of the prior art describes any portable telescopic four legged derrick hinged in any way at the front of the chassis above the driver's position. The Court was clearly wrong in its conclusion of law on which it based its judgement of non-infringement.

**5. Appellees Pass by the Issue as to Whether the Differences Which They Urge to Exist Between the Claims and the Appellees' Structure Are Merely Colorable Differences.**

Appellees answer by saying that the file wrapper limits the claims so that because of the alleged differences the Appellees' drive-in units are not an infringement of the claim. They thus urge that while the Appellees' drive-in units produce the same results in substantially the same way, the form of the device employed by the Appellees is not of the form of the device to which the file wrapper limited the claims. In this they are wrong.

**6. Appellees Admit That the Claim 2 Is Unambiguous and Have Not Pointed to Any Ambiguity in Any of the Other Claims.**

(Appellees' Brief pp. 8 and 9)

Where the claims are unambiguous the issue of infringement turns on whether the claims "read" on the Appellees' drive-in unit and whether, if they do not "read" on the Appellees' drive-in unit, they are the equivalent thereof.

Not having shown any ambiguity in the claims, Appellees have not made out a case requiring resort to the file wrapper history.

The Supreme Court in *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 70 S. Ct. 854 at 855-856; 339 U. S. 605, 94 L. Ed. 1097; 85 U.S.P.Q. 328 at p. 330, stated the rule as follows:

“In determining whether an accused device or composition infringes a valid patent, resort must be had in the first instance to the words of the claim. If accused matter falls clearly within the claim, infringement is made out and that is the end of it.”

Recourse to the file wrapper would not be necessary since there is nothing to construe.

In *Research Products Co. v. Tretolite* (9th C.C.A. 1939), 106 Fed. 530 pp. 535-536. This Court, in passing on the argument that the withdrawal of a claim limited other claims, stated,

“In any event its withdrawal did not affect the plain terms of the claims allowed. Such withdrawal would only be important where the allowed claims were ambiguous”.

Quoted at page 15a of the Appendix to Appellants' Opening Brief. See also other cases cited at page 87 of Appellants' Opening Brief.

**7. The Contention That the File Wrapper Limited All the Claims to the Form of the Portable Derrick Recited in Claim 1 is Fallacious.**

Appellees have urged the point that claim 1 is limited to the structure in which the driver's position enters the free area between the rear legs in a manner similar to the specific form of the structure as illustrated in the drawings



of the Patent. They then, without further showing, lump all the claims together into their statement that the file wrapper limits the claims so that they are not infringed unless their language is expanded to include the territory yielded by the Applicant. (Appellees' Brief p. 8.)

Appellees have referred to and printed in their Appendix only fragments of the file wrapper. The entire file wrapper has been incorporated into the record as a physical exhibit by stipulation between the parties dated September 5, 1958. We have made a detailed analysis of the file wrapper at pages 86 to 96 of the Appellants' Opening Brief.

It is clear from the history of the prosecution that the Appellant refused to limit all his claims so as to say that only the rear legs and not the front legs straddle the cab. He refused to limit claims 2-4 to any meaning of "straddle" to be that only the rear legs "straddle" the driver's position by offering and insisting on claims in which the term "straddle" referred to all of the legs. The Examiner again rejected these claims but not because the claims were unpatentable over the prior art but because of informality in the claims. These informalities were corrected in a manner which made no change in their substance. Claim 22 (claim 5 of the Patent) was presented.

The allowance of all claims followed without any further amendment of claims 1-4 or amendment of claim 5.

Claim 5 as well as claims 2-4 of the Patent are broader than claim 1 of the Patent. The Examiner simply changed his mind and allowed claim 18 (claim 1 of the Patent) and all of the other claims of the Patent. These broader claims thus may not be restricted to be of the same scope of claim 1. (We have discussed this point at pages 94-97 of Appellants' Opening Brief.)

**8. Appellees' Argument That the Appellants Are Attempting to Expand the Area of the Allowed Claims to Be That of the Claims as Originally Presented Is Contrary to the Evidence.**

In support of their argument they contrast claim 1 as originally presented in the specification as filed with claim 1 of the Patent. (Appellees' Brief pp. 4 and 5.) A comparison of the two claims will indicate other differences than the features printed in red on page 5 of the Appellees' Brief.

We have reproduced below claim 5 of the patent as given in outline form in Exhibit 1A Record pages 655-656. In claim 5 we have placed in italics the portions of claim 5 which are different from claim 1 as presented in the Application as filed:

*Claim 5:*

A portable derrick, comprising

A. a chassis,

B. Front wheels mounted on an axle positioned adjacent the front end of the chassis,

C. Rear wheels mounted on an axle positioned adjacent the rear end of the chassis,

D. A driver's position with steering and motive power controls positioned adjacent the front end of said chassis,

E. *A motive power unit positioned at the rear of said chassis,*

F. *A collapsible and extensible derrick pivotally mounted on the chassis to move from a rest position on said chassis with the top end of the derrick positioned toward the rear of said chassis and the lower end of*

*said derrick being positioned on said chassis toward the front end of said chassis,*

*(a) spaced two front and two rear legs for said derrick, cross bracing between said legs,*

*(b) said derrick comprising a lower section and an upper section,*

*G. Means for moving said upper section relative to said lower section to collapse and to extend said derrick,*

*H. a hinge on said derrick positioned adjacent the lower end of said derrick,*

*(a) said hinge also positioned on said chassis adjacent the front axle and above said driver's position,*

*I. means for rotating said derrick to an erect position adjacent the front end of said chassis, and*

*J. means cooperating with the lower ends of said derrick legs to place said legs in load transference relation to the ground with said derrick in erect position;*

*(a) said lower ends of said legs and said means cooperating therewith*

*(1) being spaced apart transversely with respect to said chassis a distance greater than the transverse extent of said driver's position; and*

*(2) said lower ends, said means cooperating therewith, and said hinge being*

*a. located with respect to the longitudinal axis of said chassis*

*1. locating said lower ends of one pair of front and rear legs and their respective cooperating means*

*a. to one side of said driver's position and*

*b. the lower ends of the other pair of front and rear legs and their respective cooperating means to the other side of said driver's position*

*c. with the derrick in said erect position.*

We summarize below the features of the original claims 1-5 relating to the derrick and its hinging as presented in the original specifications with the corresponding features of the claims of the Patent. It is clear that the derrick and its hinging in Appellees' structure is within the ambit of the matter specifically included in the claims of the Patent. The derrick and its hinging in Appellees' Drive-in units are not within the area of the matter relating to the derrick and its hinging broadly included in the original claims but not specifically included in the allowed claims.

a) *The Derrick*

The original claims included a derrick without specifying the kind of derrick except that it had legs. This may be a two legged pole type-derrick such as was used in prior art. [See Finding of Fact R. p. 88 incorporating PreTrial Order items 12 R. p. 60 including Plaintiff's Statement of Fact Item 8 R. p. 30.] The claims in the Patent specify a four legged lattice type telescopic derrick whose lower leg portions are spread apart transversely for a distance greater than the transverse extent of the driver's position. [See item J of claims 1-3 and 5 and item L claim 4 R. pp. 648-656.] Such a derrick is employed by Appellees.

b) *The location of the hinge on the derrick.*

The original claims did not locate the position of the hinge on the derrick. The claims of the Patent state that it is at the lower end of the derrick where it is located on the Appellees' structure.

c) *The location of the hinge with respect to the driver's position.*

In the original claims 1-5 the position of the hinge is not given with reference to the driver's position. The derrick could be hinged below or to one side of

the driver's position. The claims of the Patent specify that the hinge is above the driver's position as it is in the Appellees' construction.

No estoppel exists to limit the location of the hinge with respect to the fore and aft axis of the chassis. The statement that the hinge is above the driver's position does not mean that it must be vertically over the driver. It merely means that the hinge is at a higher elevation than the driver's position and that is what it means in the specification. (See Appellants' Opening Brief pp. 53-57.) The location of the hinge and the position of the legs are described by the Patent in connection with their location at the front end of the chassis and their spread transversely to permit the driver to have a clear view ahead. (See Appellants' Opening Brief pp. 55-67.) The hinge and derrick legs in Appellees' drive-in unit are located in the same way.

**9. The Appellees' Structure Is Clearly Included in the Words of the Claims and Is the Equivalent of the Structure Illustrated in the Drawings of the Patent.**

No recourse to any file wrapper estoppel can obscure the fact that Appellees have appropriated the very heart of the patented invention. The simple truth of the matter is that the distinctions in form between Appellees' construction and the illustrations in the drawings of the Patent make no change in the results produced, the way the results are produced or the means by which they are produced.

That Appellees' drive-in units are clearly equivalents of the form illustrated in the drawings of the Patent is admitted by the Appellees. That which is equivalent in the

patent law is the same thing in the eyes of the patent law. Even if there were file wrapper estoppel to limit the claims to the form of the structure shown in the drawing, Appellees' structure would infringe because of this equivalence. The Appellees seek to avoid the operation of the doctrine of equivalents by reliance on an asserted file wrapper estoppel as limiting the operation of the doctrine of equivalents. The argument is specious. The rule is otherwise. The doctrine of equivalents is a limitation on the operation of any file wrapper estoppel. (See Appellants' Opening Brief p. 96.)

In *Cutter Laboratories v. Lyophile-Chryochem Corp.* (9th C.C.A. 1949), 179 F.2d 80 at p. 89, this Court said,

"Appellant invokes the doctrine of *Keystone Bridge Co. v. Phoenix Iron Co.*, 95 U.S. 274, 24 L.Ed. 344, that no limitation which a patentee puts into his claim may be ignored, whether or not the limitation was necessary to validate the claim. See, also, *Fay v. Cordesman*, 109 U.S. 408, 3 S.Ct. 236, 27 L.Ed. 979. One reason for this rule is to give notice to possible infringers of the claim's limits; another is to relieve the courts of the burden of deciding just what elements are material to the validity of the claim. But where attempts are made to avoid infringement by a relatively slight, well known variation in the claimed process or product, the strict rule is relaxed by the doctrine of equivalents. 'Without that doctrine every claim is indeed entitled to be interpreted in the light of the specifications as a whole, and not to be read merely with a dictionary. But often even with the most sympathetic interpretation the claim cannot be made to cover an infringement which in fact steals the very heart of the invention: no matter how auspiciously construed, the language forbids. It is then

that the doctrine of equivalents intervenes to disregard the theory that the claim measures the monopoly and ignores the claim in order to protect the real invention. *Claude Neon Lights v. Machlet & Son*, 2 Cir. 36 F.2d 574; see also *Otis Elevator Co. v. Atlantic Elevator Co.*, 2 Cir., 47 F.2d 545, 547; *Oates v. Camp*, 4 Cir., 83 F.2d 111, 116.' *Keith v. Charles E. Hires Co.*, 2 Cir., 116 F.2d 46, 48" (p. 89). \* \* \*

**10. Appellees Have Made No Showing That Their Drive-in Unit Conforms to the Prior Art Cited by the Examiner and Consequently the File Wrapper Can Be of No Avail to Them.**

Appellees have not shown that their drive-in unit is within the area of the prior art cited by the Examiner. No drive-in unit is shown in such prior art. In such case Appellees cannot be aided by any file wrapper estoppel.

In *Hunt Tool Company v. Lawrence* (5th C.C.A. 1957), 242 F. 2d 347 at p. 354 the Court said,

"Also, since the patent examiner's objection was with reference to the prior art, appellants are protected by file wrapper estoppel only if they can show that their alleged infringement is in an area to which that prior art could possibly have been thought to extend so as to make it impossible to make valid claims there, for there is no reason to presume that applicant made a disclaimer broader than necessary to yield to the actual challenge to his claim. See *New York Scaffolding v. Whitney*, 8 Cir., 224 F. 452, 462, certiorari denied, 239 U.S. 640, 36 S. Ct. 161, 60 L.Ed. 482" (p. 354).

This is certainly so when the alleged limitation is to a feature which is not made a material part of the invention either in the Patent or by the evidence. We have at pages

94 and 95 of the Appellants' Opening Brief analyzed and quoted the opinion of this Court in *Union Oil Company of California v. American Bitumuls Co.* (9th C.C.A. 1940), 109 F. 2d 140 at pp. 145-46.

The Court there considered the effect of a temperature limitation inserted in a claim and introduced to replace a previous claim in which no specific temperature was stated. And we quote again from this opinion:

"We see nothing in the occurrences in the Patent Office which would estop the claimant from a reasonable interpretation of his patent claims as to temperature regardless of the specific temperature mentioned in the claims which is nowhere indicated either in the patent or by the evidence to have been a critical temperature." (pp. 145-146)

Appellees have cited *D & H Electric Company v. M. Stephens Mfg. Co.* (9th C.C.A. 1956) 233 F. 2d 879, as supporting their position on the issue of file wrapper estoppel.

In *D & H Electric Company v. M. Stephens Mfg. Co.* the Court found that the novel feature of the right angular orientation of the ribs was a feature which distinguished the patentees' invention from the prior art and resulted in an entirely different function. The Court said:

"It is immediately apparent that since, as urged by the inventor, the ribs of the patent article in suit perform the function entirely different from that of screw threads, the right angularity of the ribs is critical since to allow even a slight variation would lose the principle claimed for it by causing the ribs to become mere convolutions of a screw thread." (p. 883)



The Court acknowledged that the Appellees had made but a slight change in the angle of the rib. It said,

“\* \* \* Slight as this difference may seem it invokes an entirely different principle of operation. By reason of their right angularity, the ribs of appellants’ device are not and cannot be considered screw threads, while the projections of appellees’ device can be nothing other than interrupted screw threads.” (p. 884)

The factual situation is entirely different in the present case. The change made by Appellees in this case made no change in the principle of the invention and did not make the Appellees’ drive-in unit like the prior art. At no time was it urged by the Applicant in the Patent Office that the location of the rear legs as shown in Fig. 3 of the patent was the critical difference between the Applicant’s device and the prior art.

The case cited by Appellees does not impair the force of *Union Oil Co. of California v. American Bitumuls Co. supra* or *Cutter Laboratories v. Lyophile-Chryochem Corp. supra*. It illustrates the same principle. The present appeal illustrates the principle announced in *Winans v. Denmead*, 15 Howard (56 U.S.) 330.

The patent before the Court was a railroad coal car having a conical discharge chute of circular cross-section. The defendant’s chute had an octagonal cross-section. (pp. 339-340)

In discussing the lower Court’s ruling the Supreme Court said:

“The substance of this ruling was that the claim was limited to the particular geometric form mentioned in the specification; and as the defendants had not made cars in that particular form there could be

no infringement, even if the cars made by the defendants attained the same result by employing what was in fact, the same mode of operation as that described by the patentee. We think the ruling was erroneous." (p. 340)

\* \* \* \* \*

"Now, while it is undoubtedly true that the patentee may so restrict his claim as to cover less than what he invented, or may limit it to one particular form of machine, excluding all other forms, though they so embody his invention, yet such interpretation should not be put upon his claim if it can fairly be construed otherwise, and this for two reasons:

"1. Because the reasonable presumption is, that, having a just right to cover and protect his whole invention, he intended to do so. *Haworth v. Hardcastle*, Web. P.C.484.

"2. Because specifications are to be liberally construed in accordance with the design of the Constitution and the patent laws of the United States, to promote the progress of the useful arts and allow inventors to retain to their own use, not anything which is matter of common right, but what they themselves have created. (citing cases)" (p. 341)

\* \* \* \* \*

"Undoubtedly there may be cases in which the letters patent do include only the particular form described and claimed, \* \* \*

"The reason why such patent covers only one geometrical form is not that the patentee has described and claimed that form only; it is because that form only is capable of embodying his invention; and consequently, if the form is not copied, the invention is not used." (p. 343)

11. To Allow Appellees to Escape the Charge of Infringement by Such an Immaterial Change in Construction Would Be to Validate the Patent but to Emascuate It by Removing Its Substance.

In *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, *supra*, at 70 S. Ct. at pp. 855-856 and 85 U.S.P.Q. at p. 330, the Court stated:

"But courts have also recognized that to permit imitation of a patented invention which does not copy every literal detail would be to convert the protection of the patent grant into a hollow and useless thing. Such a limitation would leave room for — indeed encourage — the unscrupulous copyist to make unimportant and insubstantial changes and substitutions in the patent which, though adding nothing, would be enough to take the copied matter outside the claim, and hence outside the reach of law. One who seeks to pirate an invention, like one who seeks to pirate a copyrighted book or play, may be expected to introduce minor variations to conceal and shelter the piracy. Outright and forthright duplication is a dull and very rare type of infringement. To prohibit no other would place the inventor at the mercy of verbalism and would be subordinating substance to form. It would deprive him of the benefit of his invention and would foster concealment rather than disclosure of inventions, which is one of the primary purposes of the patent system."

"The doctrine of equivalents evolved in response to this experience. The essence of the doctrine is that one may not practise a fraud on a patent. Originating almost a century ago in the case of *Winans v. Denmead*, 15 How. 330, it has been consistently applied by this Court and the lower federal courts, and con-

tinues today ready and available for utilization when the proper circumstances for its application arise.  
\* \* \*”

### Conclusion.

The Appellees who have abandoned the Court below on the ground upon which it found no infringement have based their entire position on an asserted file wrapper estoppel.

The Court below upon whom such a contention was urged, did not find any file wrapper estoppel. We submit that no reason is presented by the facts of the case or by argument by Appellees which requires that the claims be so narrowly construed as to limit them to the form of the device shown in Fig. 3 of the Patent. We submit that the claims 2-5 read unambiguously on Appellees' device. No basis for resort to file wrapper for interpretation of the claims appears in this case. But reference to the file wrapper will show that no file wrapper estoppel appears which will require the claims to be limited to the specific form illustrated in Fig. 3. But even if this be so, the Appellees infringe since they have, in the language approved by this Court, “stolen the heart of the invention.”

We submit that this Court should hold that the judgment of non-infringement is clearly wrong and that Appellees infringe the claims of the patent in suit.

Respectfully submitted,

PHILIP SUBKOW,

*In Propria Persona and Attorney for  
Appellants.*

No. 16132

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

---

JAMES MOON, EDMOND M. WAGNER and PHILIP SUBKOW,  
*Appellants,*

*vs.*

CABOT SHOPS, INC., and HOWARD SUPPLY COMPANY,  
*Appellees.*

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APPELLANTS' PETITION FOR REHEARING.

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FILED

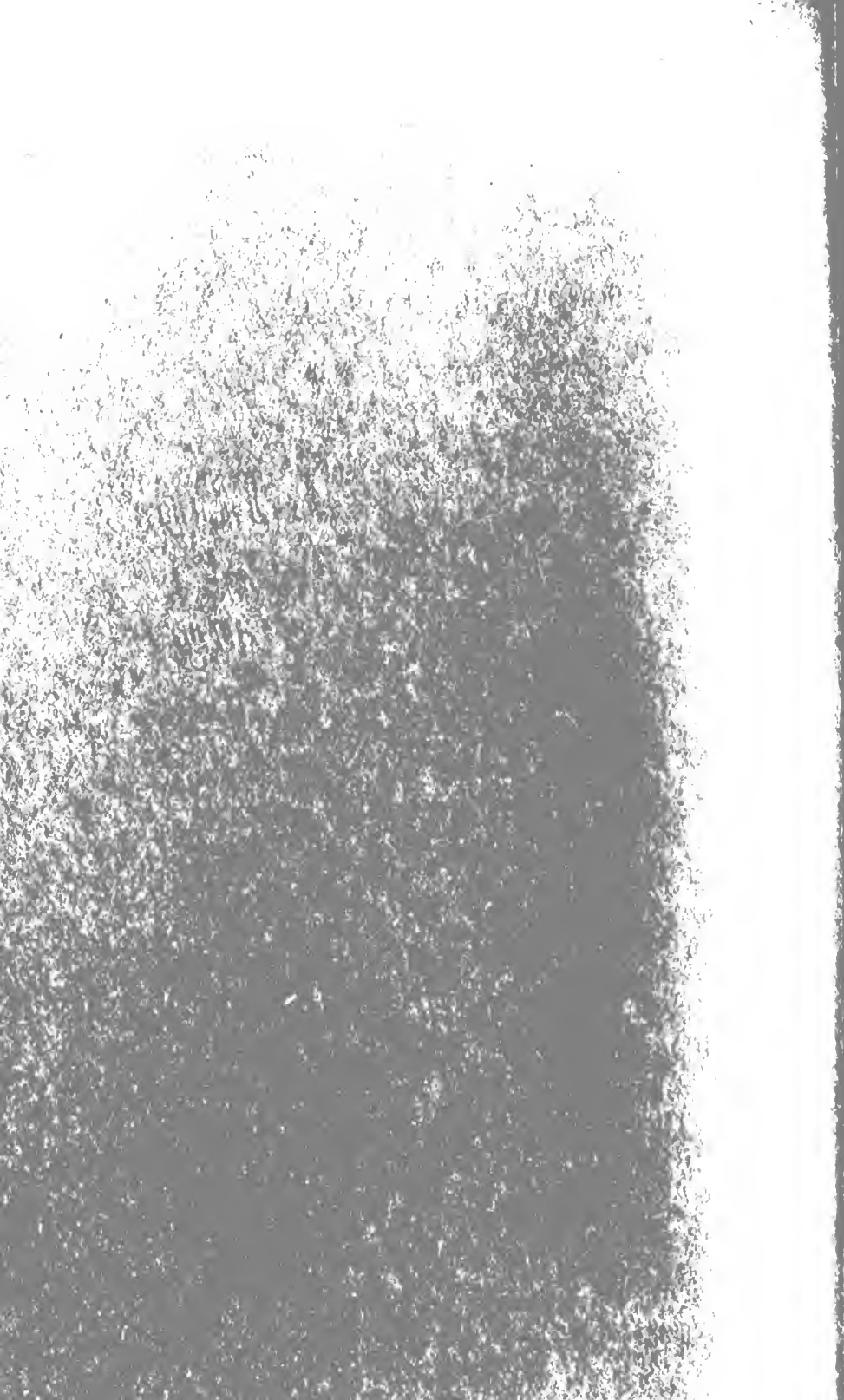
OCT 15 1959

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*vs.*

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*Appellees.*

---

**APPELLANTS' PETITION FOR REHEARING.**

---

Appellants James Moon, Edmond M. Wagner and Philip Subkow do hereby petition this Honorable Court to reconsider and rehear its decision in the above entitled cause made September 21, 1959.

The grounds for this petition are:

1. That this Court has overlooked the disclosure of the Moon patent, the stipulated facts of the pre-trial order, and the uncontradicted evidence given at the trial, and the admissions of Appellees in open Court, all of which establish that the inventive advance disclosed by the Moon patent, is found in the accused devices, as well as in the form of the device incorporated in the claims as construed by this Court. The "crux of the invention" is not limited to the "straddling" of the cab by the derrick legs if this be the feature that distinguishes the accused device from the patented device.

2. That, because of this error in the facts, the Court has arrived at an erroneous construction of the claims and

has also denied to the patent the scope to which the Doctrine of Equivalents entitles it; and that this decision is, therefore, in conflict with the decisive decisions of the Supreme Court and the earlier decisions of this Court.

3. That the Court erred in applying the rule of File Wrapper Estoppel by restricting the claims to a degree not required by the cited prior art and erred in failing to note that the form of the accused device does not embody the features of the prior art but does embody the features of the patented device.

4. That, accepting the construction of the claims, as announced in this Court's decision, the claims read directly on the accused devices, in that the cab of the accused devices is positioned within the area between the framework which constitutes the rear legs of the derrick, *i.e.*, the legs "straddle" the cab, within the meaning of the phrase as construed by the Court. This point apparently has been overlooked by the Court.

All of these points were discussed in Appellants' briefs on appeal, and none of these are new. We discuss each of these below.

**1. The Court Erred in Finding That the Crux of the Patentee's Inventive Advance Is Found in the Form as Claimed in Claim 1.**

The Court stated:

"\* \* \* It would seem therefore that in the opinion of the Examiner the straddling of the cab by the derrick legs was the crux of the invention.

"We cannot say that the conclusion of The Examiner in this regard was unwarranted. The Moon structure solved many of the problems posed by the

back-in units. The derrick as combined with the chassis and the cab produced a structure which was at once stable, safe and maneuverable. It was the interaction of the derrick with the chassis and the cab positioned as described in the claims that made for patentability in this case. It was that interaction which produced the desired stability, safety, and maneuverability not previously achieved by any portable derrick unit." (Decision p. 5.)

"As noted above, the invention of the patented structure is the positioning of the derrick so that its legs straddle the cab or driver's position. In order for the derrick legs to straddle the cab the derrick hinge must be positioned above the driver's position." (Decision p. 7.)

"The scope of the invention in this case is set forth clearly in claim one. In accordance with the rule of the *Kemart* case, *supra*, we decline to broaden it." (Decision p. 10.)

We understand the decision of this Court to mean that this Court concludes that the inventive advance described in this patent arises from the form of the invention illustrated in the drawings and that this is the form set forth in Claim 1.

We find difficulty in reconciling such a conclusion with the conclusions reached by the Court in analyzing the inventive advance which is the contribution which Moon made to the portable derrick art.

The Court found this inventive advance resulted in the production of a stable, safe and maneuverable portable derrick which solved the problems of the prior art back-in units. The Court in describing the portable derrick of

the patent did not include as a feature thereof the relative position of the derrick legs and the cab. It characterized the portable derrick as follows:

“The patent in suit involves a portable derrick of the type used for drilling and servicing oil wells. A telescopic derrick is mounted above the driver’s cab at the front end of a truck chassis. An engine is mounted at the rear of the chassis. Winches are positioned between the driver and the engine. A hinge about which the derrick rotates is so positioned at the front of the chassis that when the derrick is transported it lies above the engine and the driver with its bottom to the front of the chassis. Means are provided to rotate the derrick on the hinge so that it may be erected. The derrick is transported in a collapsed position but is extended to working height on erection.” (Decision p. 2.)

and characterized the deficiencies in the prior art which were solved by the patentee as follows:

“First among these was the necessity of having to back the truck into position at the well head. The backing process was often time-consuming and difficult to accomplish. Second, this back-in type of derrick presented certain problems with regard to safety. It had only a small margin of stability. Moon testified that he had seen a back-in unit overturn. In addition, the hinging of the derrick at the rear of the chassis created some danger to the driver in the event the derrick should fall back during or after the erection process. Third, the back-in type, because of its weight and arrangement of components, was illegal for transportation over the highways of many states.” (Decision p. 2.)

The inventive advance which solved these problems, as the evidence shows, is present in the accused device as well as in the patented device. If the Court be right that the form of the device embodied in claim 1 is not the form of the accused device, then it must follow that claim 1 describes only a particular form of the invention. The crux of the invention is not in the particular form embodied in claim 1. It is also embodied in the accused units.

*We here make a distinction between the inventive advance as a fact and the form of the inventive advance, which the Court has concluded is defined by the claims of the patent.* There simply is no evidence in this case, apart from the Court's construction of what the Examiner said, to support any limitation of the inventive advance to the form illustrated in the drawings. The appellees never urged such a contention. Their position has been that the claims were limited by File Wrapper Estoppel and as so limited they were not infringed. (Brief for Appellees, p. 11.) The uncontradicted facts are:

- (A) That the Patent Nowhere States That the Location of the Legs With Respect to the Cab, as Shown in the Drawings, Is the "Crux of the Invention" as Disclosed in the Patent.

We have discussed this point at page 77 of the Appellants' Opening Brief. The features of the invention, as described in the patent, are, we believe, correctly stated by the Court at page 2 of its Opinion and quoted above, which does not include the entrance of the cab into the space between the legs as any material part of the invention disclosed.

- (B) The Same Properties Which the Court Found to Be the Advance Made Are Found in the Accused Devices, as Well as in the Form of the Device Claimed in Claim 1.

The Court below so found by adopting as Findings of Fact stipulated facts, stated in the pre-trial order. These were item 16 of the pre-trial order and item 55 of the plaintiff's pre-trial Statement of Fact, which were incorporated in the pre-trial order and which were adopted as Findings of Fact. [These Findings of Fact were set forth in Appellants' Opening Brief, item 16 at p. 23 and item 55 at pp. 32-34. See also Record pp. 45-47. See also Record pp. 60 and 61].

The testimony of Mr. Moon and Mr. Woody, Appellees' Chief Engineer, who each made an analysis of the functioning of the accused structures and the patented structure, established that in both the accused structures and patented structure are found the elements which made the drive-in unit, exemplified in these various forms, an inventive advance over the prior art. *This testimony was uncontradicted.* We analyzed this evidence at pages 34 to 46 of the Appellants' Opening Brief.

- (C) That This Inventive Advance Was Found in Both the Structures of the Accused Device and in the Form Illustrated in the Drawings of the Patent Was Admitted by Appellees.

It is stressed in their advertisements set forth at pages 31 to 32 of the Appellants' Opening Brief. The equivalency was admitted in open Court by the Appellees' Counsel, Mr. Kenway, in argument. See the Record, pages 500 to 501, and Appellants' Opening Brief at pages 76 to 77.

We are not here discussing the scope of the claims or the Doctrine of Equivalents. We are concerned here with the nature of the inventive advance irrespective of what the Court may hold to be the portion of the advance included within the claims. The above considerations are advanced to show that the accused form of the drive-in unit embodies the Moon inventive advance as well as does the form described in the claims as they are construed by the Court.

We, therefore, urge this Court to modify its opinion to state that the crux of the Moon invention is not restricted to the form of the device as it is defined in claim 1, as construed by the Court, even if this Court should, contrary to what we urge below, find that all the claims are by their terms restricted to the "straddling" of the cab by the legs of the derrick and that in the accused device the cab is not so "straddled."

**2. The Court Erred in Restricting all of the Claims to Be Co-Extensive in Scope With Claim 1.**

The Court having found that the inventive advance is exhausted by claim 1, and that the accused device was not of this form, refused to read claims 2 to 5 as being broader than claim 1. (Decision pp. 8 and 10.)

If the Court on reconsideration agrees with us that the inventive advance is present in both the accused device and in the form as stated in claim 1, then we respectfully urge the Court that it should find that the claims of the patent are infringed. We urge that the Doctrine of Equivalents requires that the claims be held infringed by the accused device, which is conceded by the Appellees to be the full equivalent of the device shown in the Patent drawings.

We urge upon this Court that the Doctrine of Equivalents comes into operation after the claims have been construed as to their scope. The Doctrine of Equivalents comes into operation when the inventive advance has been appropriated, but there is some change in the means, manner of operation or result from the invention as claimed. Unless form is of the essence of the invention, a change in the form of the means which embodies the inventive advance and makes no substantial change in the mode of operation or in the result, is an infringement, *even though the claims are limited to a specific form not employed in the accused device*. This, we believe, is the law as set forth in the following decisions, all referred to in the Appellants' Opening Brief at pages 78 and 79 and in the Appellants' Reply Brief, pages 12, 13 and 15 to 17.

*Winans v. Denmead*, 15 How. (56 U. S.), 330 at pp. 339-340 (Quoted at pp. 15-16 of Appellants' Rep. Br.);

*Graver Tank Mfg. Co. v. Linde Air Products Co.*, 339 U. S. 605, 70 S. Ct. 854 at pp. 855-856; 94 L. Ed. 1097; 85 U. S. P. Q. 328 at p. 330 (Quoted at pp. 17 and 18 of Appellants' Rep. Br.);

*Angelus Sanitary Can Mach. Co. v. Wilson et al.* (9th C. C. A. 1925), 7 F. 2d 314 at p. 318 (Quoted at pp. 12a-14a of the Appendix to Appellants' Op. Br.);

*Cutter Laboratories v. Lyophile-Cryochem Corp.* (9th C. C. A. 1949), 179 F. 2d 80 at p. 89 (Quoted at pp. 12 and 13 of Appellants' Rep. Br.);



*Saco-Lowell Shops v. Reynolds* (4th C. C. A. 1944), 141 F. 2d 587 at pp. 593-594 and cases therein cited (Quoted at pp. 17a-20a of the Appendix to Appellants' Op. Br.);

*G. H. Packwood Mfg. Co. v. St. Louis Janitor Supply Co.* (8th C. C. A. 1941), 115 F. 2d 958 at pp. 962-963 (Quoted at pp. 15a-17a of the Appendix to Appellants' Op. Br.).

We believe these cases to be controlling.

If the Court agrees with us that the evidence demonstrates that the inventive advance is found also in the accused device and that therefore form is not of the essence of the invention but instead is merely the environment in which the invention is embodied, then *American Seating Co. v. Ideal Seating Co.* (6th C. C. A. 1941), 124 F. 2d 70 cited by the Court at page 7 of the Court's Decision is not apposite.

We submit that, the Doctrine of Equivalents starts where construction of the claims end. Having construed the claims, the question whether the invention as claimed has been appropriated in substance, irrespective of the disguises in which it is exemplified, needs to be answered. We urge that the answer must be that the substance has been appropriated by the shifting of the cab backward from the hinge point to an immaterial degree.

- (A) The Court Erred in Concluding That It Is Bound by a Finding of Fact Made by the Court Below That the Accused Device Is Not Equivalent to the Device of the Claims as Construed by This Honorable Court.

The Court stated:

“The factual finding of the trial court that the accused devices are not equivalent to the patent claims, as so construed, is not to be disturbed unless clearly erroneous. *Graver Mfg. Co. v. Linde Co.*, 339 U. S. 605, 610. We find no clear error in the making of this finding.” (Decision p. 10.)

The only statement by the Trial Court on the issue of equivalency is found in Conclusion of Law 4 which is set forth in the Record at page 90. This Conclusion of Law is not such finding of fact as is referred to in *Graver Mfg. Co. v. Linde Co.*, *supra*, 339 U. S. 605, 610.

It cannot be said that the Trial Court found as a fact that there was any difference in means, manner of operation or result between the accused devices and the patented device. The decision of the Supreme Court referred to by the Court makes clear that the findings of fact referred to related to these factual matters which creates the findings of fact of equivalency or non-equivalency. But whether or not Conclusion of Law 4 is a finding of fact, the evidentiary facts are not in dispute. The conclusion is clearly in error.

The prior art evidence before this Court is summarized at pages 64-65 and discussed in detail at pages 65-75 of Appellants' Opening Brief. None of this prior art shows a drive-in derrick of either the patented form or of the accused device or of any other form. There is no evidence to support the Trial Court's conclusion of law, and the Appellees in their briefs have made no showing in sup-

port of this conclusion. They have abandoned the Court on this point (see Appellants' Rep. Br. p. 5).

The undisputed facts have been stated in point 1 above. *The equivalency between the accused device and the device of the patent is admitted.* The exhibits and records are available to this Court and the Court may itself determine wherein differences, if any, be. In such case the issue of infringement resolves itself into one of law, depending on a comparison between the claimed device and the patented device and if required on the correct application thereto of the Rule of Equivalency.

*Kemart Corp. v. Printing Arts Research Labs.* (9th C. C. A. 1953), 201 F. 2d 624 at pages 627-628 (Quoted at p. 23a of the Appendix to Appellants' Op. Br.) cited with approval in *Kwikset Locks v. Hillgren* (9th C. C. A. 1954), 210 F. 2d 483 at pages 488-489.

We urge this Court to reconsider the conclusion that there is no equivalency between the accused device and the patented device and find infringement.

**3. The Court Erred in Concluding That the Claims Are Restricted by File Wrapper Estoppel to a Form Not Employed by the Accused Device.**

We believe the Court is in error in its statement that the claims of the patent were allowed by the Examiner because the claims were restricted by amendment to the so-called "straddling" feature. We call particular attention to pages 91 through 93 of the Appellants' Opening Brief.

(A) The file wrapper shows claims 14 to 17 were not amended to recite that the rear legs and not the front legs straddle the cab. They were cancelled, instead, and claims 19, 20 and 21, now claims 2, 3 and 4 of the patent, were introduced. These claims do not state that

the rear legs and not the front straddle the cab. The word "straddle" in claims 2 to 4 applies to the front legs as well as the rear legs. We believe the record is clear that the applicant rejected the Examiner's requirements, that all of the claims be restricted as in claim 1 and insisted on a broader construction of the invention. *If the front legs in the patented device "straddle" the cab then certainly they do so also in the accused device.*

(B) The applicant Moon specifically refused to accede to the Examiner's request that all the claims be limited to the form of claim 1, urging that his invention was broader in character.

(C) Furthermore, it must be pointed out that claim 5 was presented in the amendment presenting claims 19, 20 and 21, and that it was allowed without amendment.

If, as the Court concludes, notwithstanding the above contentions, the claims were all limited by amendment to recite the form of claim 1, *the Court should note that none of the prior art relied upon by the Examiner in rejecting the claims disclosed a structure which is described by the Court at page 2 of its Opinion to be the structure of the patent.* None of them showed a drive-in unit in which the derrick was so positioned at the front of the chassis so that it might lie above the engine and the driver and the winch, when in retracted position, and be erected at the front of the chassis.

We urge that the rule announced by the Ninth Circuit Court of Appeals and by the Second, and Fifth Circuit should be followed by this Court. Limitations introduced into the claims by amendment to avoid rejection over prior art should be construed to narrow the claims only insofar as it is necessary for them to avoid the prior art relied on by the Examiner. We call attention to *Angelus*

*Sanitary Can Mach. Co. v. Wilson et al.* (9th C. C. A. 1925), 7 F. 2d 314 at page 318 and referred to at pages 79 and 82 of Appellants' Opening Brief and quoted at pages 12a-14a of the Appendix to Appellants' Opening Brief, and *International Cellucotton Products Co. v. Sterelek Co. Inc.* (2nd C. C. A. 1938), 94 F. 2d 10, quoted at pages 15-16 of the Appendix to Cross-Appellees' Reply Brief, *Hunt Tool Company v. Lawrence* (5th C. C. A. 1957), 242 F. 2d 347 at 354, referred to in this connection at page 97 of Appellants' Opening Brief and quoted at page 13 and 15 of the Appellants' Reply Brief. See also *Farrington v. Haywood* (6th C. C. A. 1929), 35 F. 2d 628 at page 631.

**4. The Court Overlooked the Fact That the Form of the Invention as Described by the Claims, as Construed by This Court, Is Embodied in the Accused Device in That the Derrick Legs in the Accused Device Straddle the Cab.**

Our next point is that, assuming this Court be correct that the crux of the inventive advance is stated in claim 1, and that it requires that the cab be positioned in the space between the legs of the derrick, we then urge on this Court that the uncontradicted testimony in this case is that the accused devices conform exactly with this definition.

Mr. Moon's analysis of the construction and functions of the accused devices clearly establishes that the framework composed of the outriggers and the truss which supports the hinge carries the loads on the derrick to the ground. *This framework constitutes the rear legs of the derrick. There is one such structure on each side of the cab, and the cab is positioned between them.* (See Appellants' Op. Br. pp. 43 to 45). Mr. Woody, Appellee's

Chief Engineer, gave the same evidence (see Appellants' Op. Br. p. 45). While Appellants have asserted in their Appellants' Brief, p. 9, that claim 2 is not literally infringed (see also Appellee's Reply Brief, pp. 3 and 4), *this testimony was not contradicted or in any way challenged by Appellees, either by testimony at the trial or in their briefs.*

In Appellants' Opening Brief, at pages 51, 58 and 59, we stated that the claims read on the Appellees' structure and that recourse to the Doctrine of Equivalents is unnecessary. At pages 58 to 63 we applied the claims to the accused structure. At pages 60 and 61 of Appellants' Opening Brief we pointed out that the rear leg structure formed of the outriggers and the frame members 23d and 23e [see Ex. 57 in the Appendix to Appellants' Op. Br.], which corresponds to L-6 [see also L-6 of Ex. 95 in the above appendix], "straddled" the driver's position, *i.e.*, that the cab is directly between such structures, which are on each side of the cab. We stated, at page 4 of the Appellants' Reply Brief, "The legs of Appellees' derrick functionally and structurally 'straddle' the cab and driver position in the cab even if the word 'straddle' is to be limited in the sense urged by Appellees."

Thus, we believe it to be true, as is shown by the evidence, that to establish infringement no recourse to the Doctrine of Equivalents is necessary since the claims are valid and read on the accused device, which embodies the inventive advance of the claims. This ends the matter, as was stated in the case of *Graver Tank and Mfg. Co. v. Linde Air Products Co.*, cited *supra*. See 85 U. S. P. Q. 328 at 330:

"In determining whether an accused device or composition infringes a valid patent, resort must be had

in the first instance to the words of the claim. If accused matter falls clearly within the claim, infringement is made out and that is the end of it."

We believe this point has been overlooked by the Court, since we find nothing in the Court's decision expressly ruling on this issue. Even if all the other points in our petition are insufficient, we urge that this is enough for the Court to find infringement of the claims.

### Conclusions.

We urge this Court that because of the above errors this cause should be reconsidered and that the Trial Court's judgment insofar as it held the patent not to be infringed be reversed and the accused device be held to be infringements of this patent. If this is not the view of the Court we respectfully urge that the decision be clarified to state, what the evidence shows without contradiction, that the inventive advance is embodied in the accused form as well as in the patented form, and that the form of the accused device is the substantial equivalent of the device as described in the patent and as illustrated by the drawings, even though the Court conclude that the claims must be restricted because of the Examiner's action and amendments made, so that they are not infringed.

Respectfully submitted,

PHILIP SUBKOW,

*In Propria Persona and Attorney for Appellants,*

**Certificate.**

The undersigned appearing *in propria persona* and as counsel for the Appellants, James Moon and Edmond M. Wagner, certifies that in his judgment the herein petition is well founded and that it is not interposed for delay.

PHILIP SUBKOW,



No. 16135 /

---

United States  
Court of Appeals  
For the Ninth Circuit

---

W. D. MacKAY,

Appellant,

vs.

AMERICAN POTASH & CHEMICAL CO., INC.,  
a Corporation, and STAUFFER CHEMICAL  
COMPANY, a Corporation,

Appellees.

---

Transcript of Record

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Appeal from the United States District Court for the  
Southern District of California  
Central Division

FILED

DEC 19 1958



No. 16135

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**United States  
Court of Appeals**  
For the Ninth Circuit

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W. D. MacKAY,

Appellant,

vs.

AMERICAN POTASH & CHEMICAL CO., INC.,  
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Appellees.

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**Transcript of Record**

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**Appeal from the United States District Court for the  
Southern District of California  
Central Division**



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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in *italic*; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in *italic* the two words between which the omission seems to occur.]

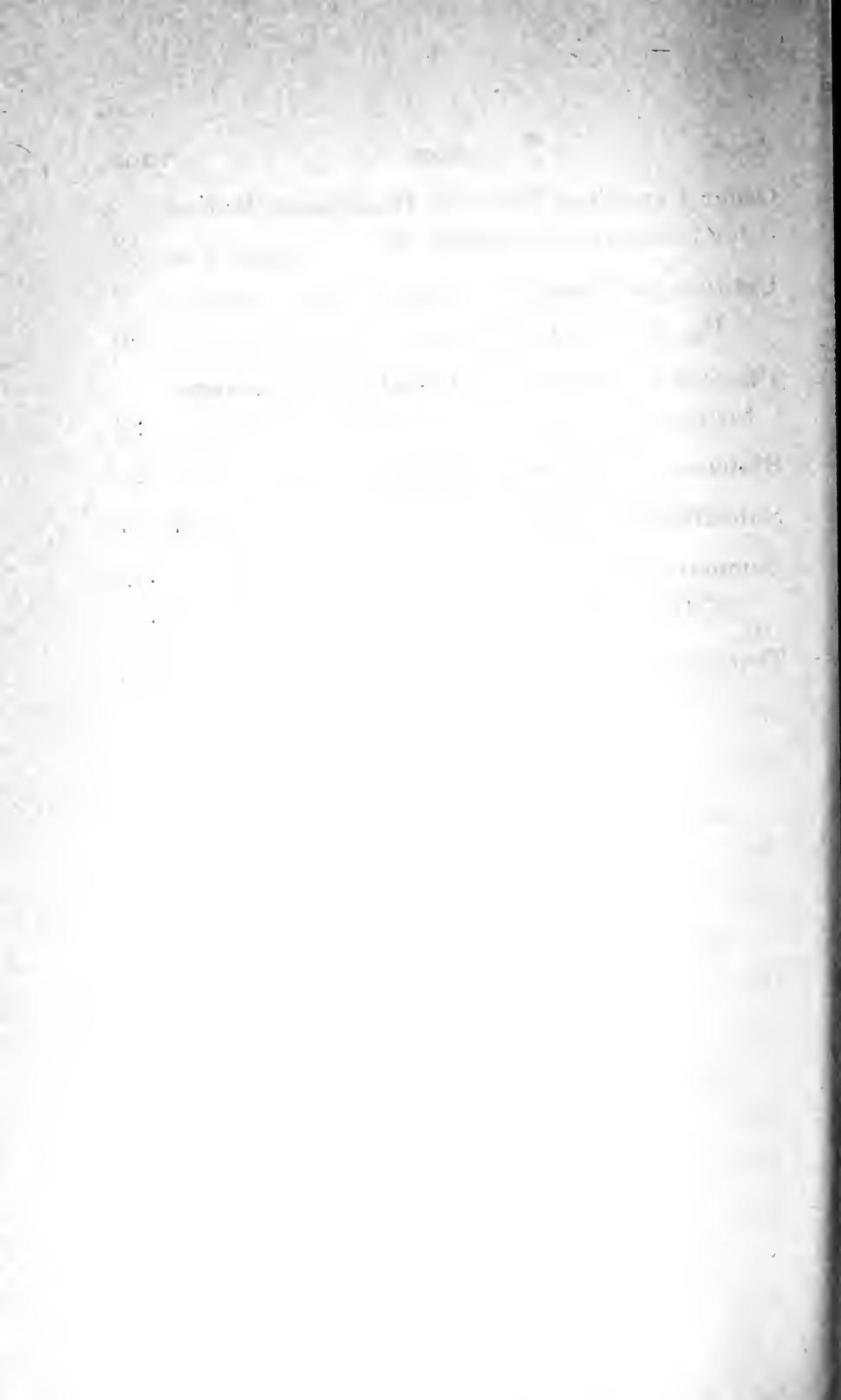
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## NAMES AND ADDRESSES OF ATTORNEYS

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Los Angeles 14, California.

### For Appellees, Stauffer Chemical Co.:

VINCENT H. O'DONNELL,  
FREDRIK S. WAISS,  
1820 Mills Tower,  
San Francisco 4, California.



In the United States District Court, Southern  
District of California, Central Division

No. 933-57—HW

W. D. MacKAY,

Plaintiff,

vs.

AMERICAN POTASH & CHEMICAL CO., INC.,  
a Corporation; WEST END CHEMICAL CO.,  
INC., a Corporation; DOE I, DOE II, DOE  
III, as Individuals; JOHN DOE & RICHARD  
ROE, as Individuals and as Copartners; DOE  
CORPORATION ONE,

Defendants.

PETITION FOR REMOVAL TO THE UNITED  
STATES DISTRICT COURT FOR THE  
SOUTHERN DISTRICT OF CALIFORNIA,  
CENTRAL DIVISION

Comes now American Potash & Chemical Co.,  
Inc., a corporation, a defendant in the above cause,  
and files this, its Petition for Removal of this cause  
from the Superior Court in and for the County of  
Los Angeles, State of California, in which said cause  
is now pending, to the District Court of the United  
States in and for the Central Division of the South-  
ern District of California, held in the City of Los  
Angeles, in said District and State, and respectfully  
shows to the Court the following:

1. That copies of all process, pleadings and  
orders served upon petitioning defendant in this

cause to the date hereof in the above-referred to Superior Court, are attached hereto, marked Exhibit "A," and by reference are made a part of this Petition. That on July 24, 1957, the summons and complaint in the said Superior Court action were served in the City of Los Angeles and County of [2\*] Los Angeles, State of California, on defendant and petitioner American Potash & Chemical Co., Inc., a Delaware corporation; that your Petitioner is one of the defendants named in this action, which is a civil action commenced in the Superior Court of the State of California, in and for the County of Los Angeles, No. 682788, entitled "W. D. MacKay, Plaintiff, vs. American Potash & Chemical Co., Inc., a Corporation; West End Chemical Co., Inc., a corporation; Doe I, Doe II, Doe III, as individuals; John Doe & Richard Roe, as individuals and as copartners; Doe Corporation One, Defendants," said complaint being entitled "Complaint (Common Counts, Declaratory Relief and Implied Contract)." That said action was commenced in said Superior Court on or about July 10, 1957. That your Petitioner has not yet appeared in answer to the summons and complaint so served upon it or filed any pleading in said action. That your Petitioner had not received from plaintiff, through service or otherwise, any copy of the summons or complaint in said action prior to July 24, 1957. That twenty days after receipt by your Petitioner of the said copy of the summons and complaint have not expired.

**\*Page numbering appearing at foot of page of original Certified Transcript of Record.**

2. That said Petitioner files its Petition for Removal of said cause in the aforesaid Superior Court in which it is now pending to the United States District Court, Southern District of California, Central Division, held in the City of Los Angeles, State of California.

3. That said action has been commenced as aforesaid, and at the time of said commencement and at all times since then has been and is now a suit of a civil nature at common law over which the District Courts of the United States have original jurisdiction by reason of diversities of the citizenship of the parties and the amount in controversy under the provisions of Title 28 U.S.C., § 1332, and is one which may be removed to this Court by your Petitioner pursuant to the provisions of Title 28 U.S.C., § 1441, in that it is a civil action wherein the matter in controversy exceeds the sum of Three Thousand Dollars (\$3,000.00), exclusive of interest and cost, and is between [3] citizens of different States.

4. That said action contains three alleged causes of action. That the first alleged cause of action of said complaint seeks reasonable compensation for alleged services allegedly performed for the defendants and each of them in the total amount of Two Hundred Fifty Thousand Dollars (\$250,000.00), as appears therefrom and from the prayer of said complaint. That the second alleged cause of action of said complaint seeks declaratory relief against the defendants and each of them with reference to the

same facts alleged in the first alleged cause of action, and relative to the same claimed sum of Two Hundred Fifty Thousand Dollars (\$250,000.00) as appears from said second alleged cause of action. That the third alleged cause of action seeks the sum of Two Hundred Fifty Thousand Dollars (\$250,000.00) for alleged services rendered to the defendants and each of them on a common count, and based upon the same alleged facts as the first and second alleged causes of action as appears from the face of the said alleged third cause of action. That plaintiff's alleged causes of action are all based upon the same alleged facts as appears from the face of the complaint and the face of each alleged cause of action stated in said complaint.

5. That said complaint alleges that your Petitioner, American Potash & Chemical Co., Inc., is a Delaware corporation. That said allegation is true in that your Petitioner is a corporation organized and existing under and by virtue of the laws of the State of Delaware; that your Petitioner, said American Potash & Chemical Co., Inc., was at all times mentioned in said complaint, was on the date said complaint was filed, has been at all times since and is now a corporation organized and existing under and by virtue of the laws of the State of Delaware and a citizen and resident of that State.

6. Your Petitioner is informed and believes and therefore alleges that at the time of the commencement of this action and at all times since, the Plain-



tiff, W. D. MacKay, was and now is a [4] citizen and resident of the State of California.

7. That said complaint alleges that defendant West End Chemical Co., Inc., a corporation, is a corporation organized and existing under and by virtue of the laws of the State of California; said allegation is false and untrue in that said defendant West End Chemical Co., Inc., the true name of which was West End Chemical Company, was merged into Stauffer Chemical Company, a Delaware Corporation, as of on or about October 1, 1956, and that the public records of the State of California so disclose in that there is on file in the office of the Secretary of State, of the State of California, a signed counterpart of the agreement of merger filed by said defendant West End Chemical Company on or about October 1, 1956. That as of the date of said filing, the separate corporate existence of defendant West End Chemical Co., Inc., ceased. That as of the date of the filing of the complaint herein, the records of the Secretary of State of the State of California, show that there is no California corporation operating under a name containing the words "West End Chemical." That said defendant, West End Chemical Co., Inc., was named as a party to the aforesaid action by the plaintiff spuriously and without reasonable basis and in bad faith and for the fraudulent purpose of defeating removal.

8. That plaintiff has named as defendants certain fictitious defendants, being Doe I, Doe II, Doe

III, as individuals; John Doe & Richard Roe, as individuals and as copartners; Doe Corporation One. That prior to the institution of this action Petitioner caused the deposition of the plaintiff to be taken in a proceeding to perpetuate testimony concerning the matters complained of by plaintiff, plaintiff having previously filed proceedings to perpetuate the testimony of your Petitioner. In that deposition, plaintiff claimed that its only complaint on the alleged facts in this action was against your Petitioner, American Potash & Chemical Co., Inc. Petitioner is therefore informed and believes and on the basis of such information and belief [5] alleges that the above fictitious defendants and each of them, and the defendant, West End Chemical Co., Inc., are joined spuriously and without reasonable basis and in bad faith and for the fraudulent purpose of defeating removal. Plaintiff is further informed and believes, and on the basis of such information and belief alleges that as to each of said fictitious defendants, plaintiff has no actor in mind relative to the alleged causes of action and each of them; that each of said fictitious defendants, and the defendant West End Chemical Co., Inc., should be disregarded for purposes of this Petition. That insofar as petitioning defendant can ascertain, no other party defendant has been served in this action. That as appears from the affidavit attached hereto as Exhibit "B," there is as of the date of this Petition no return of service upon any other defendant on file in the Superior Court in and for the County of Los Angeles. Petitioner is

informed and believes and on the basis of such information and belief alleges that the joinder of the other defendants, named and fictitious, is solely for the purpose of defeating the jurisdiction of the District Courts of the United States.

9. That the facts hereinabove set forth in paragraph 7 of this Petition are further evidenced by the affidavit of George C. Ellis, attached hereto as Exhibit "C."

10. That the matter in dispute exceeds the sum of Three Thousand Dollars (\$3,000.00) exclusive of interest and cost, in that said action seeks alleged damages from defendants, and each of them, in the total amount of Two Hundred Fifty Thousand Dollars (\$250,000.00).

11. That petitioner American Potash & Chemical Co., Inc., a Delaware corporation, files herewith a Bond conditioned as required by law, with good and sufficient surety for paying all costs and disbursements incurred by reason of these removal proceedings, if this Court shall hold that the action is not removable or improperly removed [6] thereto, as provided by the statutes of the United States of America.

Your petitioner, therefore, prays for removal of the above-entitled cause from the Superior Court of the State of California, in and for the County of Los Angeles, to this Court.

Dated: August 2, 1957.

GIBSON, DUNN & CRUTCHER,  
WILLIAM F. SPALDING,  
LESLIE G. TURNER,  
MARTIN E. WHELAN, JR.,

By /s/ MARTIN E. WHELAN, JR.,  
Attorneys for Defendant American Potash &  
Chemical Co., Inc.

Duly verified. [7]

### EXHIBIT A

In the Superior Court of the State of California  
in and for the County of Los Angeles  
No. ....

W. D. MacKAY,

Plaintiff,

vs.

AMERICAN POTASH & CHEMICAL CO., INC.,  
a Corporation; WEST END CHEMICAL CO.,  
INC., a Corporation; DOE I, DOE II, DOE  
III, as Individuals; JOHN DOE & RICHARD  
ROE, as Individuals and as Copartners; DOE  
CORPORATION ONE,

Defendants.

### COMPLAINT

(Common Counts, Declaratory Relief  
and Implied Contract)

Now comes W. D. MacKay, and for a cause of  
action against said defendants and each of them,  
alleges:

I.

That the defendant, American Potash & Chemical Co., Inc., at all times herein mentioned, was, and now is a corporation organized and existing under and by virtue of the laws of the State of Delaware, and authorized to do and engaged in doing business in the State of California.

II.

. That defendants West End Chemical Co., Inc., and Doe Corporation One, at all times herein mentioned, were, and now are, corporations duly organized and existing under and by virtue of the laws of the State of California. [10]

III.

That defendants Doe I, Doe II, Doe III, John Doe and Richard Roe, as individuals and as co-partners, and Doe Corporation One are sued herein by fictitious names and that plaintiff asks leave to amend and insert their proper names when they become known to plaintiff.

IV.

That on or about the fifteenth day of July, 1952, at Los Angeles, California, the plaintiff and the defendants mutually agreed that plaintiff should serve the defendants and each of them in securing natural gas service to the defendants' plants located in or about Trona, California, and that the plaintiff be compensated in a reasonable amount to be agreed upon by the plaintiff and defendants if the plaintiff secured said natural gas service.

## V.

That thereafter on April 11, 1955, as a result of plaintiff's services and efforts, defendants made a contract with Pacific Gas & Electric Company for natural gas service. That thereafter on or about July 12, 1955, the California Public Utilities Commission approved such contract by Decision No. 51666. That thereafter, on or about October 1, 1955, Pacific Gas & Electric Company commenced delivering natural gas to defendants under such contract and the defendants and each of them ever since have received and used the benefits therefrom.

## VI.

That thereafter, and before this action was commenced, the plaintiff demanded reasonable compensation for his services from the defendants and each of them.

## VII.

That the defendants and each of them have not made payment, or [11] any part thereof, to plaintiff, and refuse to do so.

Wherefore, plaintiff prays as hereafter set forth.

And for a Second and Further Cause of Action,  
Plaintiff Alleges:

## I.

Incorporates herein and makes a part hereof by reference as though set out herein in full, paragraphs I, II, III, IV, and V of his First Cause of Action.

II.

That an actual controversy exists between the plaintiff and defendants and each of them relating to the legal rights and duties of the parties hereto and that a judicial inquiry is necessary to determine the legal rights of the parties. Plaintiff desires a declaration of the rights and duties of the parties hereto in connection with said controversy.

Wherefore, Plaintiff prays as hereafter set forth.

And for a Third and Further Cause of Action,  
Plaintiff Alleges:

I.

Incorporates herein and makes a part hereof by reference as though set out herein in full, paragraphs I, II, III, IV and V of his first cause of action. [12]

II.

That on October 1, 1955, in the County of Los Angeles, State of California, defendants and each of them were indebted to plaintiff in the sum of at least Two Hundred Fifty Thousand Dollars (\$250,000.00) for services rendered to the defendants and each of them.

III.

That no part of said sum of Two Hundred Fifty Thousand Dollars (\$250,000.00) has been paid although plaintiff has demanded the same from the said defendants and each of them.

Wherefore, Plaintiff Prays:

1. That the Court render judgment against the defendants and each of them for the reasonable value of plaintiff's services, with interest at the rate of seven (7%) per cent from the 12th day of October, 1955;

2. That the Court adjudicate the controversy existing between the plaintiff and the defendants singularly and jointly;

3. That the Court render judgment against the defendants and each of them for Two Hundred Fifty Thousand Dollars (\$250,000.00) with interest at the rate of seven (7%) per cent from the 12th day of April, 1957; [13]

4. That plaintiff recover his costs of suit herein; and,

5. For such other and further relief as to the court may seem proper.

/s/ W. D. MacKAY.

Duly verified.

[Endorsed]: Filed August 2, 1957. [14]

---

[Title of District Court and Cause.]

NOTICE OF PETITION AND FILING  
BOND FOR REMOVAL

To the Plaintiff, W. D. MacKay:

You Are Hereby Notified that on the 2nd day of August, 1957, a Petition and Bond for Removal in



the above-entitled cause, copies of which are annexed hereto, were filed in the United States District Court for the Southern District of California, Central Division.

Dated: August 5, 1957.

GIBSON, DUNN & CRUTCHER,  
WILLIAM F. SPALDING,  
LESLIE G. TURNER,  
MARTIN E. WHELAN, JR.,

By /s/ MARTIN E. WHELAN, JR.,  
Attorneys for Defendant American Potash &  
Chemical Co., Inc.

Affidavit of Service by Mail attached.

[Endorsed]: Filed August 5, 1957. [19]

---

[Title of District Court and Cause.]

### ANSWER

The defendant American Potash & Chemical Co., Inc., a corporation, answering for itself alone to the alleged causes of action in the complaint herein, admits and denies and alleges as follows:

#### First Cause of Action

##### I.

Answering Paragraph I thereof, admits the same.

## II.

Answering Paragraph II thereof, denies each and every allegation therein contained, and further specifically denies that defendant West End Chemical Co., Inc., was as of the date the complaint herein was filed or at any time subsequent thereto a corporation organized and existing under and by virtue of the laws [41] of the State of California. Defendant further specifically denies that plaintiff has any other corporation in mind as a defendant in this action, other than answering defendant.

## III.

Answering Paragraph III thereof, admits that the defendants therein named are designated by fictitious names, and denies that plaintiff has any other person other than answering defendant in mind as a defendant in this action.

## IV.

Answering Paragraph IV thereof, denies each and every allegation therein contained, and further specifically denies that answering defendant at any time entered into any agreement with the plaintiff as claimed by him in said Paragraph IV of the complaint, and further specifically denies that answering defendant promised plaintiff compensation in any amount whatsoever.

## V.

Answering Paragraph V thereof, answering defendant admits that on April 11, 1955, it entered

into a contract with the Pacific Gas & Electric Company for natural gas service, that on or about July 12, 1955, such contract was approved by the California Public Utilities Commission, and that since on or about October 1, 1955, answering defendant has been receiving and using natural gas delivered by the Pacific Gas & Electric Company pursuant to the aforesaid contract. Other than as hereinbefore admitted, answering defendant denies each and all of the allegations of the aforesaid Paragraph V of the complaint.

VI.

Answering Paragraph VI thereof, answering defendant admits that plaintiff demanded compensation from answering defendant; answering defendant denies that plaintiff rendered any services to answering defendant. Other than hereinabove admitted or denied, answering defendant has no knowledge or information or belief [42] sufficient to enable it to answer the allegations of said Paragraph VI, and on that ground denies each and all of said allegations except as hereinabove admitted or denied.

VII.

Answering Paragraph VII thereof, defendant admits that it has made no payment to plaintiff, and alleges that it has no obligation of any type or manner to make payment to plaintiff in any sum whatsoever. Answering defendant has no knowledge or information or belief as to the allegations of said Paragraph VII insofar as other "defendants" are

concerned, and on that ground denies the allegations thereof as to said defendants and each of them.

### Second Cause of Action

#### I.

Answering Paragraph I thereof, answering defendant incorporates herein by reference its admissions, denials, and allegations contained in Paragraphs I, II, III, IV and V of the answer herein to the First Cause of Action.

#### II.

Answering Paragraph II thereof, admits that there is a controversy between plaintiff and answering defendant, but denies that any judicial inquiry is necessary, and further denies that plaintiff has any right to declaratory relief.

### Third Cause of Action

#### I.

Answering Paragraph I thereof, answering defendant incorporates herein by reference its admissions, denials, and allegations contained in Paragraphs I, II, III, IV and V of the answer herein to the First Cause of Action.

#### II.

Answering Paragraph II thereof, denies each and every allegation therein contained, and further denies that answering defendant was at any time or

is now indebted to plaintiff in any sum [43] whatsoever.

### III.

Answering Paragraph III thereof, it admits that it has paid no sum to plaintiff and alleges that there is no sum either due or owing from answering defendant to plaintiff. Other than hereinabove admitted or alleged, answering defendant has no knowledge or information or belief sufficient to enable it to answer the allegations of said Paragraph III, and on that ground denies them.

For further and separate defenses to each of plaintiff's alleged causes of action, answering defendant alleges as follows:

#### First Affirmative Defense

##### I.

That any action is barred and cannot be maintained by reason of the failure of plaintiff to allege that he had a Business Opportunities Broker's License as required by California Business and Professions Code Sections 10,250, et seq.

#### Second Affirmative Defense

##### I.

That any action is barred and cannot be maintained by reason of the failure of plaintiff to allege that he had a Mineral, Oil and Gas Broker's License as required by California Business and Professions Code, Sections 10,500, et seq.

## Third Affirmative Defense

## I.

Answering defendant is informed and believes and on the basis of such information and belief alleges that at no time mentioned in the complaint did plaintiff have a Business Opportunities Broker's License as required under California Business and Professions Code, Sections 10,250, et seq., and that accordingly no action can be maintained; that if there was any agreement such as claimed by plaintiff, which answering defendant denies, it would be illegal. [44]

## Fourth Affirmative Defense

## I.

Answering defendant is informed and believes and on the basis of such information and belief alleges that at no time mentioned in the complaint did plaintiff have a Mineral, Oil and Gas Broker's License as required under California Business and Professions Code, Sections 10,500, et seq., and that accordingly no action can be maintained; that if there was any agreement such as claimed by plaintiff, which answering defendant denies, it would be illegal.

## Fifth Affirmative Defense

## I.

That if plaintiff was employed by defendant, which defendant denies, no action can be main-

tained by plaintiff for want of an agreement in writing as required pursuant to California Civil Code, Section 1624(a), and California Code of Civil Procedure, Section 1973(a), in conjunction with California Civil Code, Section 2309. That the agreement with the Pacific Gas & Electric Company, set forth in Paragraph V of plaintiff's complaint called for the sale of personal property of a value in excess of Five Hundred Dollars (\$500.00).

Sixth Affirmative Defense

I.

That any action is barred by reason of the provisions of Section 339, subdivision (1) of the California Code of Civil Procedure.

Wherefore, answering defendant prays that plaintiff take nothing by reason of its complaint, that defendant be awarded [45] costs of suit herein, and such other and further relief as the Court may deem proper.

GIBSON, DUNN & CRUTCHER,  
WILLIAM F. SPALDING,  
LESLIE G. TURNER,  
MARTIN E. WHELAN, JR.,

By /s/ MARTIN E. WHELAN, JR.,  
Attorneys for Defendant American Potash &  
Chemical Co., Inc., a Corporation.

To the Plaintiff, W. D. MacKay, and to the Clerk  
of the Above-Entitled Court:

You and Each of You Will Please Take Notice  
that defendant American Potash & Chemical Co.,  
Inc., demands a trial by jury in the above-entitled  
action.

Dated: August 7, 1957.

GIBSON, DUNN & CRUTCHER,  
WILLIAM F. SPALDING,  
LESLIE G. TURNER,  
MARTIN E. WHELAN, JR.,

By /s/ MARTIN E. WHELAN, JR.,  
Attorneys for Defendant American Potash &  
Chemical Co., Inc., a Corporation.

Affidavit of Service by Mail attached.

[Endorsed]: Filed August 7, 1957. [46]

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[Title of District Court and Cause.]

### ANSWER

Answering the plaintiff's complaint herein the de-  
fendant, Stauffer Chemical Company, a corporation,  
sued herein as West End Chemical Co., Inc., ad-  
mits, denies and alleges as follows:

#### First Cause of Action

##### I.

Answering Paragraph I admits the allegations  
thereof.



II.

Answering Paragraph II thereof, denies each and every allegation therein contained, and further specifically denies that defendant West End Chemical Co., Inc., was as of the date the complaint herein was filed or at any time subsequent thereto a corporation organized and existing under and by virtue of the [48] laws of the State of California. Alleges that on October 1, 1956, West End Chemical Company, sued herein as West End Chemical Co., Inc., merged into and became a part of Stauffer Chemical Company, and that on said date West End Chemical Company ceased to exist as a result of said merger. The said Stauffer Chemical Company is and at all times material hereto, has been a corporation organized and existing under the laws of the State of Delaware and is authorized to do business in the State of California. Defendant further specifically denies that plaintiff has any other corporation in mind as a defendant in this action, other than the answering defendant and defendant, American Potash & Chemical Co., Inc.

III.

Answering Paragraph III thereof, admits that the defendants therein named are designated by fictitious names, and denies that plaintiff has any other person other than answering defendant and American Potash & Chemical Co., Inc., in mind as a defendant in this action.

IV.

Answering Paragraph IV thereof, denies each

and every allegation therein contained, and further specifically denies that answering defendant at any time entered into any agreement with the plaintiff as claimed by him in said Paragraph IV of the complaint, and further specifically denies that answering defendant promised plaintiff compensation in any amount whatsoever.

#### V.

Answering Paragraph V thereof, answering defendant admits that on April 11, 1955, it entered into a contract with the Pacific Gas & Electric Company for natural gas service, that on or about July 12, 1955, such contract was approved by the California Public Utilities Commission, and that since on or about November 16, 1955, answering defendant has been receiving and using [49] natural gas delivered by the Pacific Gas & Electric Company pursuant to the aforesaid contract. Other than as hereinbefore admitted, answering defendant denies each and all of the allegations of the aforesaid Paragraph V of the complaint.

#### VI.

Denies that plaintiff rendered any services to or demanded compensation from answering defendant. Other than hereinabove admitted or denied, answering defendant has no knowledge or information or belief sufficient to enable it to answer the allegations of said Paragraph VI, and on that ground denies each and all of said allegations except as hereinabove admitted or denied.

VII.

Answering Paragraph VII thereof, defendant admits that it has made no payment to plaintiff, and alleges that it has no obligation of any type or manner to make payment to plaintiff in any sum whatsoever. Answering defendant has no knowledge or information or belief as to the allegations of said Paragraph VII insofar as other "defendants" are concerned, and on that ground denies the allegations thereof as to said defendants and each of them.

Second Cause of Action

I.

Answering Paragraph I thereof, answering defendant incorporates herein by reference its admissions, denials, and allegations contained in Paragraphs I, II, III, IV and V of the answer herein to the First Cause of Action.

II.

Answering Paragraph II thereof, admits that there is a controversy between plaintiff and answering defendant, but denies that any judicial inquiry is necessary, and further denies that plaintiff has any right to declaratory relief. [50]

Third Cause of Action

I.

Answering Paragraph I thereof, answering defendant incorporates herein by reference its admis-

sions, denials, and allegations contained in Paragraphs I, II, III, IV and V of the answer herein to the First Cause of Action.

## II.

Answering Paragraph II thereof, denies each and every allegation therein contained, and further denies that answering defendant was at any time or is now indebted to plaintiff in any sum whatsoever.

## III.

Answering Paragraph III thereof, it admits that it has paid no sum to plaintiff and alleges that there is no sum either due or owing from answering defendant to plaintiff. Other than hereinabove admitted or alleged, answering defendant has no knowledge or information or belief sufficient to enable it to answer the allegations of said Paragraph III, and on that ground denies them.

For further and separate defenses to each of plaintiff's alleged causes of action, answering defendant alleges as follows:

### First Affirmative Defense

#### I.

That any action is barred and cannot be maintained by reason of the failure of plaintiff to allege that he had a Business Opportunities Broker's License as required by California Business and Professions Code, Sections 10,250, et seq.

Second Affirmative Defense

I.

That any action is barred and cannot be maintained by reason of the failure of plaintiff to allege that he had a Mineral, Oil and Gas Broker's License as required by California [51] Business and Professions Code, Sections 10,500, et seq.

Third Affirmative Defense

I.

Answering defendant is informed and believes and on the basis of such information and belief alleges that at no time mentioned in the complaint did plaintiff have a Business Opportunities Broker's License as required under California Business and Professions Code, Sections 10,250, et seq., and that accordingly no action can be maintained; that if there was any agreement such as claimed by plaintiff, which answering defendant denies, it would be illegal.

Fourth Affirmative Defense

I.

Answering defendant is informed and believes and on the basis of such information and belief alleges that at no time mentioned in the complaint did plaintiff have a Mineral, Oil and Gas Broker's License as required under California Business and Professions Code, Sections 10,500, et seq., and that accordingly no action can be maintained; that if

there was any agreement such as claimed by plaintiff, which answering defendant denies, it would be illegal.

### Fifth Affirmative Defense

#### I.

That if plaintiff was employed by defendant, which defendant denies, no action can be maintained by plaintiff for want of an agreement in writing as required pursuant to California Civil Code, Section 1624(a), and California Code of Civil Procedure, Section 1973(a), in conjunction with California Civil Code, Section 2309. That the agreement with the Pacific Gas & Electric Company, set forth in Paragraph V of plaintiff's complaint called for the sale of personal property of a value in excess of Five Hundred Dollars (\$500.00). [52]

### Sixth Affirmative Defense

#### I.

That any action is barred by reason of the provisions of Section 339, subdivision (1) of the California Code of Civil Procedure.

Wherefore, answering defendant prays that plaintiff take nothing by reason of its complaint, that defendant be awarded costs of suit herein, and such other and further relief as the Court may deem proper.

VINCENT H. O'DONNELL,  
FREDRIK S. WAISS,

By /s/ FREDRIK S. WAISS,  
Attorneys for Defendant Stauffer Chemical Com-  
pany, a Corporation, Sued Herein as West End  
Chemical Co., Inc.

Duly verified.

Affidavit of Service by Mail attached.

[Endorsed]: Filed August 26, 1957. [53]

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[Title of District Court and Cause.]

MINUTES OF THE COURT, OCT. 7, 1957

Present: Hon. Harry C. Westover, District Judge.

Counsel for Plaintiff: G. H. Gottlieb.

Plaintiff W. D. MacKay present in pro.  
per.

Counsel for Defendant American Potash:  
Leslie G. Turner.

Counsel for Defendant West End Chemi-  
cal: Fredrick S. Waiss.

Proceedings:

For pretrial conference (pursuant to notice).

It Is Ordered that cause is continued to Nov. 18,  
1957, 3:00 p.m., for pretrial conference.

JOHN A. CHILDRESS,  
Clerk;

By /s/ MARY O. SMITH,  
Deputy Clerk. [56]

[Title of District Court and Cause.]

MINUTES OF THE COURT, NOV. 18, 1957

Present: Hon. Harry C. Westover, District Judge.  
Counsel for Plaintiff: G. H. Gottlieb.  
Counsel for Defendant American Potash  
& Chemical Co.: Martin E. Whelan, Jr.  
Counsel for Defendant West End Chem.:  
Fredrick S. Waiss.

Proceedings:

For pretrial conference.

Statements are made by Court and counsel.

It Is Ordered that cause is continued to Dec. 16,  
1957, 3:00 p.m., for further pretrial conference.

JOHN A. CHILDRESS,  
Clerk;

By /s/ MARY O. SMITH,  
Deputy Clerk. [57]

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[Title of District Court and Cause.]

SUBSTITUTION OF ATTORNEYS

The above-named plaintiff hereby substitutes Gerald H. Gottlieb as his attorney of record in place of himself, W. D. MacKay in propria persona.

Dated: December 16, 1957.

/s/ W. D. MacKAY.



I hereby accept the above substitution.

Dated: December 16, 1957.

/s/ GERALD H. GOTTLIEB.

[Endorsed]: Filed December 16, 1957. [69]

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[Title of District Court and Cause.]

### DEFENDANTS' INTERROGATORIES

Defendants, American Potash & Chemical Co., Inc., and Stauffer Chemical Company, pursuant to Rule 33 of the Federal Rules of Civil Procedure, and pursuant to local Rule 4(e), require plaintiff, W. D. MacKay, to fully answer each and every of the interrogatories hereinafter set forth and within the period of time specified in Federal Rule 33.

Interrogatory No. 1:

With what officers, agents and employees, if any, of Pacific Gas & Electric Company have you at any time on or before April 11, 1955, been in personal or telephonic conference with or directed any other type of communication to (whether by letter, telegram or any other means), or received any other type of [70] communication from (whether by letter, telegram or any other means), concerning or in any way related to the furnishing of natural gas service by Pacific Gas & Electric Company to either the general area of and around Trona, California, or to any plant of American Potash & Chemical

Co., Inc., in or around that area, or to any plant of the then West End Chemical Company in or around that area, or to any combination of the aforementioned. As to each such communication, state, after the name of the particular officer, agent, or employee of Pacific Gas & Electric Company named by you:

(a) The date of each conference with, and each other communication from, or directed to that person;

(b) The type of communication, whether with you and that person present together, by telephone, letter, telegram, or other means;

(c) As to each communication other than where you and the other person were present together, who wrote or otherwise originated the communication;

(d) What was said or written by either you or that other person or both in each such communication;

(e) Whether you have in your possession or under your control either the written communication involved, or any written memoranda of the oral communication involved.

#### Interrogatory No. 2:

With what officers, agents and employees, if any, of Pacific Gas & Electric Company have you at any time after April 11, 1955, and to and including October 1, 1955, been in personal or telephonic conference with or directed any other type of com-

munication to (whether by letter, telegram or any other means), or received any other type of communication from (whether by letter, telegram or any other means), concerning or in any way related to the furnishing of natural gas service by Pacific Gas & Electric Company to either the general area of and around Trona, California, or to any plant of [71] American Potash & Chemical Co., Inc., in or around that area, or to any plant of the then West End Chemical Company in or around that area, or to any combination of the aforementioned. As to each such communication, state, after the name of the particular officer, agent, or employee of Pacific Gas & Electric Company named by you:

(a) The date of each conference with, and each other communication from, or directed to that person;

(b) The type of communication, whether with you and that person present together, by telephone, letter, telegram, or other means;

(c) As to each communication other than where you and the other person were present together, who wrote or otherwise originated the communication;

(d) What was said or written by either you or that other person or both in each such communication;

(e) Whether you have in your possession or under your control either the written communica-

tion involved, or any written memoranda of the oral communication involved.

Interrogatory No. 3:

To your personal knowledge, what individuals, if any, including yourself, other than individuals now known by you to have then been officers, or full-time regular employees of either (i) American Potash & Chemical Co., Inc., (ii) the then West End Chemical Company, or (iii) Pacific Gas & Electric Company, had anything to do with interesting Pacific Gas & Electric Company in furnishing natural gas service either to the general area of and around Trona, California, or to the plant in that area of American Potash & Chemical Co., Inc., or to the plant in that area of the then West End Chemical Company, or more than one of the foregoing. As to each such individual, and next to his or her name, state:

(a) What you know that individual did in so interesting Pacific Gas & Electric Company; [72]

(b) To the extent known, the approximate date or dates on which such was done by each such individual;

(c) To the extent that you have no personal knowledge of what each such individual did in so interesting Pacific Gas & Electric Company, what you believe them to have done based on information of any type which you now have;

(d) To the extent that you do not know of your own knowledge the approximate date or dates on which such was done by any such individual, state the approximate date or dates on which you believe such was done based upon any information which you now have;

(e) If there are any affirmative responses to subparts (c) and (d), upon what information are the affirmative responses to subparts (c) and (d) based, and from whom was that information obtained, and do you have in your possession or under your control any written documents or other records evidencing such information?

Interrogatory No. 4:

What individuals, if any, including yourself, other than individuals now known by you to have then been officers or full time regular employees of either (i) American Potash & Chemical Co., Inc., (ii) the then West End Chemical Company, or (iii) Pacific Gas & Electric Company, do you now have any information other than personal knowledge upon which to assert that those individuals had anything to do with interesting Pacific Gas & Electric Company in furnishing natural gas service either to the area of and around Trona, California, or to the plant in that area of American Potash & Chemical Co., Inc., or to the plant in that area of the then West End Chemical Company, or more than one of the foregoing. As to each such individual, and next to his or her name, state:

(a) What that information indicates as to what the particular individual did in so interesting Pacific Gas & Electric Company;

(b) What that information indicates as to the approximate [73] date or dates on which such was done by each such individual;

(c) From whom the information was obtained;

(d) Whether you have in your possession or under your control any written documents or other records evidencing such information.

#### Interrogatory No. 5:

With what members, agents and employees of the California Public Utilities Commission have you at any time on or before July 12, 1955, been in personal or telephonic conference with or directed any other type of communication to (whether by letter, telegram or any other means), or received any other type of communication from (whether by letter, telegram or any other means), concerning or in any way related to the furnishing of natural gas service by Pacific Gas & Electric Company to either the general area of and around Trona, California, or to any plant of American Potash & Chemical Co., Inc., in or around that area, or to any plant of the then West End Chemical Company in or around that area, or to any combination of the aforementioned. As to each such communication, state, after the name of the particular member, agent, or employee

of the California Public Utilities Commission named by you:

(a) The date of each conference with, and each other communication from, or directed to that person;

(b) The type of communication, whether with you and that person present together, by telephone, letter, telegram, or other means;

(c) As to each communication other than where you and the other person were present together, who wrote or otherwise originated the communication;

(d) What was said or written by either you or that other person or both in each such communication;

(e) Whether you have in your possession or under your [74] control either the written communication involved, or any written memoranda of the oral communication involved.

Interrogatory No. 6:

Did you in any way participate in the hearings of the Public Utilities Commission of the State of California held in connection with the request for approval of the contracts entered into on or about April 11, 1955, between American Potash & Chemical Co., Inc., and Pacific Gas & Electric Company, and West End Chemical Company and Pacific Gas & Electric Company? If so, state the nature of your

participation and exactly what you did in those hearings.

VINCENT H. O'DONNELL,  
FREDRIK S. WAISS,

By /s/ MARTIN E. WHELAN, JR.,  
Attorneys for Defendant Stauffer Chemical Com-  
pany, a Corporation.

GIBSON, DUNN &  
CRUTCHER,  
WILLIAM F. SPALDING,  
LESLIE G. TURNER,  
MARTIN E. WHELAN, JR.,

By /s/ MARTIN E. WHELAN, JR.,  
Attorneys for Defendant American Potash & Chem-  
ical Co., Inc., a Corporation.

Affidavit of service by mail attached.

[Endorsed]: Filed December 20, 1957. [75]

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[Title of District Court and Cause.]

MINUTES OF THE COURT, DEC. 16, 1957

Present: Hon. Harry C. Westover, District Judge;  
Counsel for Plaintiff: Gerald H. Gottlieb.  
Counsel for Defendant American Potash  
& Chem. Co.; Martin E. Whelan, Jr.  
Counsel for Defendant West End Chemi-  
cal: no appearance (F. S. Waiss).



Proceedings:

For (1) hearing motion of defendant American Potash & Chemical (filed 12/6/57), to dismiss; and (2) further pretrial.

Attorney Whelan makes a statement that Attorney Waiss is engaged in court in San Francisco.

Attorney Gottlieb argues to the Court.

Court makes a statement and orders cause continued to Jan. 13, 1958, 2 p.m., for hearing said motion of defendant American Potash & Chemical (filed 12/6/57), to dismiss, and for further pretrial.

JOHN A. CHILDRESS,

Clerk;

By /s/ MARY O. SMITH,

Deputy Clerk. [77]

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[Title of District Court and Cause.]

AFFIDAVIT OF J. H. GUMZ IN SUPPORT  
OF MOTION FOR SUMMARY JUDGMENT

State of California,

City and County of San Francisco—ss.

J. H. Gumz, being duly sworn, deposes and states:

I am now and have been since 1941 the manager of commercial and industrial sales of the Pacific Gas & Electric Company. The duties of the position I hold include the negotiation of contracts for the

supplying of natural gas service to industrial users such as American Potash & Chemical Co., Inc., and West End Chemical Company. Inquiries as to the availability of natural gas service from such concerns would in the normal handling of such matters in the Pacific Gas & Electric Company [86] be referred to me.

The files of Pacific Gas & Electric Company reveal that the first inquiries by anyone on behalf of either American Potash & Chemical Co., Inc., or West End Chemical Company as to the availability of gas service to the plants of either company in the Searles Lake (Trona, California) area was in the form of a letter dated November 20, 1948, from R. B. Coons, Vice President of American Potash & Chemical Co., Inc., to N. R. Sutherland, then Vice President of Pacific Gas & Electric Company. A photostatic copy of that letter is attached to this affidavit and made a part hereof.

Not until the year 1954 did the Pacific Gas & Electric Company have a sufficient supply of natural gas in its transmission pipeline running near the Searles Lake plants of American Potash & Chemical Co., Inc., and West End Chemical Company to consider service to users in the Trona, California, area. In July, 1954, acting on instructions of the management of Pacific Gas & Electric Company, I instituted contract discussions with both American Potash & Chemical Co., Inc., and West End Chemical Company, and continued negotiation of such contracts until natural gas supply con-

tracts were entered into with each of those companies on April 11, 1955. Negotiations for the supplying of natural gas to American Potash & Chemical Co., Inc., and West End Chemical Company were carried on by affiant on behalf of Pacific Gas & Electric Company solely with R. B. Coons on behalf of American Potash & Chemical Co., Inc., and George C. Ellis on behalf of West End Chemical Company. At no time during the negotiation of the aforesaid contracts or prior thereto was affiant approached by W. D. MacKay concerning natural gas service for American Potash & Chemical Co., Inc., West End Chemical Company or anyone else in the Trona, California, area. Affiant was never advised by anyone in the organization of Pacific Gas [87] & Electric Company, either orally or by written communication, that any inquiry had ever been made by W. D. MacKay or anyone on his behalf concerning natural gas service for the Trona area in general or for American Potash & Chemical Co., Inc., or for West End Chemical Company. Neither affiant nor, to the best of affiant's information and belief, anyone else in the employ of Pacific Gas & Electric Company has at any time prior to the commencement of natural gas service to American Potash & Chemical Co., Inc., and West End Chemical Company in October, 1955, discussed or communicated with W. D. MacKay concerning the supplying of natural gas to American Potash & Chemical Co., Inc., West End Chemical Company or to anyone else in the Trona, California, area. At no time during the negotiations which led to the execu-

tion of the aforesaid natural gas contract by the Pacific Gas & Electric Company, American Potash & Chemical Co., Inc., and West End Chemical Company did W. D. MacKay participate in any way.

To the best of affiant's knowledge and belief no services or efforts of W. D. MacKay played any role in directly or indirectly inducing Pacific Gas & Electric Company to offer gas service to American Potash & Chemical Co., Inc., or West End Chemical Company or to any other user in the Trona, California, area or in the negotiation of the natural gas supply contracts referred to above or the approval of said contracts by the Public Utilities Commission of the State of California. Affiant has no knowledge of any services or efforts of any sort by W. D. MacKay on behalf of either American Potash & Chemical Co., Inc., or West End Chemical Company.

To the best of my knowledge and belief no one outside of the Pacific Gas & Electric Company other than R. B. Coons on behalf of American Potash & Chemical Co., Inc., and George C. Ellis on behalf of West End Chemical Company has played any role in the obtaining of natural gas service to the plants of American [88] Potash & Chemical Co., Inc., and West End Chemical Company located in or about Trona, California.

/s/ J. H. GUMZ.

Subscribed and sworn to before me this 27th day of December, 1957.

[Seal]     /s/ EILEEN GRIFFIN,  
Notary Public in and for the City and County of  
San Francisco, State of California.

My commission expires November 16, 1959. [89]

American Potash & Chemical Corporation  
3030 West Sixth Street  
Los Angeles 54, California

March 14, 1949.

Mr. N. R. Sutherland, Vice President,  
Pacific Gas & Electric Company,  
245 Market Street,  
San Francisco, California.

Dear Mr. Sutherland:

The announcement in the Press of the Federal Power Commission's authorization for new pipeline facilities from Texas prompts me to recall to your attention the conversation we had in your office on June 18, 1948, at which Mr. Black and Mr. Colefax, President of our Company, were present.

As I recall our discussion, you indicated that you would be glad to talk the matter over further with us when you were in a position to do so. As we stated at that time, fuel is our second largest cost, being next to labor, and we are anxious to keep in

active touch with every possibility to improve our situation in this respect.

I would very much appreciate your giving my personal regards to Jim Black, and of course Mr. Colefax joins me in best regards to yourself.

Sincerely,

/s/ ROBERT B. COONS,  
Vice President.

RBC:AH

[Stamped]: Received March 15, 1949—N. R. Sutherland.

[Endorsed]: Filed January 3, 1958. [90]

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[Title of District Court and Cause.]

**AFFIDAVIT OF W. M. JACOBS IN SUPPORT  
OF MOTION FOR SUMMARY JUDGMENT**

State of California,  
City and County of San Francisco—ss.

W. M. Jacobs, being first duly sworn, deposes and states:

Prior to October 1, 1956, I was an employee of Southern California Gas Company, with its main office situated in Los Angeles, California, continuously for a period of approximately 26 years. For approximately the last 5 years of that employment I was a Vice President of the company. One of my duties as such Vice President was the supervision

of studies of the economic feasibility of major extensions of natural gas pipelines to new [91] areas such as that in the vicinity of Trona, California. Southern California Gas Company had in fact made studies of the feasibility of serving the Trona, California, area in 1931, 1950 and 1951.

Sometime in the year 1952 I received a request from Mr. W. D. MacKay for a meeting for the purpose of discussing an extension of natural gas service to the United States Navy's establishment at Ridgecrest, California, and I did so meet in my office in September, 1952, with Mr. MacKay and a Mr. Minster representing the Navy. The fuel requirements of American Potash & Chemical Co., Inc., and West End Chemical Company at their Searles Lake plants was discussed at the meeting, since these plants were potential users of natural gas in that area. At the conclusion of the meeting, we informed Mr. MacKay and Mr. Minster that we would re-examine the possibility of such an extension. Following such re-examination we determined that the extension was not a feasible one for Southern California Gas Company and I believe we so informed Mr. MacKay. Following this notification we had no additional discussions with either Mr. MacKay or Mr. Minster.

At no time did I ever contact Pacific Gas & Electric Company or any of its officers, directors, agents or employees in an attempt to interest that company in furnishing natural gas service to the plant of American Potash & Chemical Co., Inc., in that

area or to the plant of West End Chemical Company in that area, nor to my knowledge did anyone connected with Southern California Gas Company ever do so. At no time did I ever have any conversations or communications of any type with Pacific Gas & Electric Company, or any of its officers, directors, agents or employees in which I either discussed or urged the furnishing of such natural gas service by Pacific Gas & Electric Company, nor to my knowledge did anyone connected with [92] Southern California Gas Company ever do either of these. At no time in any discussion with Mr. MacKay did I ever intimate to that individual that I or anyone else connected with Southern California Gas Company would in any way intercede with Pacific Gas & Electric Company in furnishing natural gas to the area in and around Trona, California, or to the plants of either American Potash & Chemical Co., Inc., or West End Chemical Company.

/s/ W. M. JACOBS.

Subscribed and sworn to before me this 27th day of December, 1957.

[Seal] /s/ EILEEN GRIFFIN,  
Notary Public in and for the City and County of  
San Francisco, State of California.

My commission expires November 16, 1959.

[Endorsed]: Filed January 3, 1958. [93]



[Title of District Court and Cause.]

AFFIDAVIT OF GEORGE C. ELLIS IN  
SUPPORT OF MOTION FOR SUMMARY  
JUDGMENT

State of California,  
County of Alameda—ss.

George C. Ellis, being first duly sworn, deposes and states:

I was President of West End Chemical Company continuously from April 26, 1943, to the date of its merger with Stauffer Chemical Company on October 1, 1956. I am now, and have been since the date of said merger, a Vice President of Stauffer Chemical Company in charge of the West End Chemical Company Division. [94]

West End Chemical Company for many years has been interested in obtaining natural gas service at its Searles Lake plant. During July, 1955, the Pacific Gas & Electric Company instituted discussions with it which led to the execution of a natural gas supply contract for that plant on April 11, 1955.

All of the negotiations for the obtaining of natural gas service to our Searles Lake plant were carried on by affiant or by H. D. Hellmers, then a Vice President of West End Chemical Company. William D. MacKay was at no time authorized to and he did not represent West End Chemical Company in any capacity.

Affiant is informed and believes and therefore states that William D. MacKay did not in any way assist in the obtaining of natural gas service to the plants of West End Chemical Company, American Potash & Chemical Co., Inc., or to any other user in the vicinity of Trona, California.

/s/ GEORGE C. ELLIS.

Subscribed and sworn to before me, this 30th day of December, 1957.

[Seal] /s/ ELEANOR CAMP THOMPSON,  
Notary Public in and for the County of Alameda,  
State of California.

My Commission expires May 21, 1960.

[Endorsed]: Filed January 3, 1958. [95]

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[Title of District Court and Cause.]

AFFIDAVIT OF ROBERT B. COONS IN  
SUPPORT OF MOTION FOR SUMMARY  
JUDGMENT

State of California,  
County of Los Angeles—ss.

Robert B. Coons, being first duly sworn, deposes and says:

That he is Vice President of American Potash & Chemical Corporation and has been for the past nine years. That among his duties at American

Potash & Chemical Corporation, he is in charge of and solely responsible for negotiations for gas service or any installations for American Potash & Chemical Corporation in the general Southern California area and, specifically, at the Trona, California, plant of that company. [96]

That in the Fall of 1952 affiant was contacted by plaintiff who led affiant to believe that he was a representative of or in some way connected with one Mr. Minister, a civilian engineer for the United States Navy. That plaintiff discussed generally the question of gas service for the general Trona, California, area and suggested the possibility of mutual advantage in working together for the purpose of obtaining gas service in the Trona, California, area and indicated that he represented certain public interests. Thereafter, in November or December of 1952, affiant had a telephone conversation with plaintiff at which time plaintiff requested that affiant employ plaintiff to represent American Potash & Chemical Corporation in securing natural gas service for that company at its plant in Trona, California. That affiant had become somewhat alarmed by reports he had received that plaintiff had, prior to said telephone conversation, made representations to others that he represented American Potash & Chemical Corporation and, therefore, in the telephone conversation above referred to, affiant called his assistant, Mr. Hefler, so that Mr. Tefler could overhear affiant's statements to plaintiff to the effect that American Potash &

Chemical Corporation did not desire to employ plaintiff. That thereafter affiant had no conversations with plaintiff until June or July of 1955.

That as early as 1948 affiant had contacted Pacific Gas & Electric Company for the purpose of prevailing on that company to furnish gas service to the Trona, California, area. That affiant has long been a close personal friend of Mr. James Black, then President of Pacific Gas & Electric Company, and Mr. Norman Southerland, the Executive Vice President of Pacific Gas & Electric Company and presently President of Pacific Gas & Electric Company, and had periodically, up until the Fall of 1954, had occasion to discuss the possibility of obtaining gas in the Trona area with these gentlemen.

That in the Summer of 1954, affiant commenced negotiations with one J. H. Gumz, Manager of Commercial and Industrial Sales of [97] Pacific Gas & Electric Company for the purpose of supplying natural gas service to the Trona, California, area. The said negotiations resulted in a contract between American Potash & Chemical Corporation and Pacific Gas & Electric Company for said gas service; the contract being finalized on April 11, 1955. That at no time was plaintiff authorized to negotiate with Pacific Gas & Electric Company on behalf of American Potash & Chemical Corporation for any purpose whatsoever and affiant knows of no occasion when plaintiff had any discussions with representatives of Pacific Gas & Electric Company for the purpose of supplying gas service to the

Trona, California, area. All negotiations for the supply of said gas service by Pacific Gas & Electric Company, were conducted by affiant and/or his assistant, Mr. Hefler.

/s/ ROBERT B. COONS.

Subscribed and sworn to before me this 2nd day of January, 1958.

[Seal]     /s/ HAROLD O. COVERT,  
Notary Public in and for Said  
County and State.

My Commission expires January 7, 1961.

[Endorsed]: Filed January 3, 1958. [98]

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[Title of District Court and Cause.]

AFFIDAVIT OF WILLIAM F. SPALDING IN  
SUPPORT OF MOTION FOR SUMMARY  
JUDGMENT

State of California,  
County of Los Angeles—ss.

William F. Spalding, being first duly sworn, deposes and says:

That he is an attorney duly licensed to practice law in the State of California and is a member of the firm of Gibson, Dunn & Crutcher, attorneys for defendant American Potash & Chemical Co., Inc., a corporation.

That on November 7, 1956, the deposition of William D. MacKay, the plaintiff in the within action, was taken by affiant pursuant to the Application of American Potash & Chemical Corporation [99] to Perpetuate Testimony, a proceeding in the Superior Court of the State of California in and for the County of Los Angeles, Los Angeles Superior Court, No. 668414.

That the application to perpetuate testimony above referred to and the depositions taken pursuant thereto were all as a result of a claim made by William D. MacKay, which claim was substantially reduced to the complaint presently on file in the within action. That at the time and place of said deposition the following questions were put to the said William D. MacKay by affiant and the following answers were given, under oath, by the said William D. MacKay:

“Q. Because Mr. Jacobs said he didn’t think you would have any trouble with PG&E you concluded the thing was all set up?

A. That is if a proper deal could be made, that the PG&E would want the business.

Q. You concluded that from the statement that Mr. Jacobs made to you?

A. Yes, that was my conclusion.

Q. Is that all the conversation with Mr. Coons?

A. That was all the conversation, so I told him, ‘All right,’ or something like that, and that he had my address.

So it was only a very short time after that that I learned that the PG&E were on the ground and making surveys and one thing or another on that deal. Very shortly after that talk—and there's one thing I might tell you here that I overlooked. You asked me sometime or other along the line whether I had talked with any PG&E man. I didn't as far as any of the officials were concerned, but I called on the PG&E man at Edwards Air Force Base prior to this.

Q. Prior to what? [100]

A. When I was up in that area.

Q. Prior to what, Mr. MacKay?

A. Prior to this last setup. It was when I was up in that area on the Trona visit, or in that period, that I called on the PG&E man that was stationed at Edwards Air Base.

Q. Yes.

A. I didn't tell him what my business was. I told him what my business was but mostly relating to rates, but I was also at that time concerned with whether or not there had ever been any survey, to his knowledge, or any activity along that line. He was the man that was over from Bakersfield and he said not to his knowledge.

Q. What was his name?

A. I don't know his name.

Q. What was his position?

A. He was looking after PG&E's business there. He didn't have an office there yet. I saw him at his residence.

Q. Where was his residence?

A. On the Air Base.

Q. Was he a mechanic?

A. I suppose he was an all-around man, but he was the only representative PG&E had.

Q. What was his position?

A. I don't know what you would call him, whether he was a service man or in charge of the office, or what. There was really no office, it was right in the residence. The bills were still being made out at Bakersfield. He was sent over from Bakersfield.

Q. Is that all you know about him?

A. That's all I know about him, but he told me that if there was anything doing along that line he certainly would know about it. [101]

Q. What was it you asked him?

A. I tried to draw him out as to whether there was any activity along the line there because I knew about the trouble up at Southwest.

Q. What do you mean that you asked if there was any activity along the line there?

A. There would have to be surveys and there would be talk about the territory and he would know about that because that would probably be the headquarters. It was the nearest point where PG&E would headquarter. There was nothing out there unless they set up a camp. If they were in action at that time he would know about the making of surveys.

Q. In action on what?

A. On this line, the proposed line.

Q. What line?

A. Up to Trona.



Q. Is that what you are talking about?

A. Yes.

Q. I see. You haven't said so, Mr. MacKay.

A. It was the line. That was the only one I was concerned with and I tried to draw him out to see if he could give me any information and I found out he couldn't.

Q. He didn't know anything about it?

A. He didn't know anything about it.

Q. He had no information?

A. But he admitted if there was anything doing along that line he probably would know about it.

Q. If they were building a pipeline, you mean?

A. Oh, no. That was just the preliminaries. I knew the minute they started building the line. There was no secret about that. But I learned very quickly after I talked with Mr. Coons, possibly within thirty days, that they were [102] in the field with their surveying parties and that a definite report was made to the management on the situation and from then on they were negotiating on a contract.

Q. Of course, you were present when Mr. Coons gave his deposition and testified that it wasn't until August of '54 that Pacific Gas & Electric showed any interest.

A. That's about right.

Q. You heard him say that, did you not?

A. Yes.

Q. And now you are saying that it was in 1954 that you had this conversation with Mr. Coons in which he told you he would negotiate?

A. It was 1954, August.

Q. You previously have taken an oath that it was in '53 that he told you that?

A. Oh, no, 1954.

Q. You are not changing any testimony you have previously given under oath?

A. 1954 was the time I had the talk with Mr. Coons.

Q. Then if you ever made a statement to the contrary it was wrong, or have you ever made a statement to the contrary?

A. I never made a statement contrary to that.

Q. Are you just as sure of this as you are of all your other testimony, Mr. MacKay?

A. If I made that kind of statement it was wrong, I mean about this particular thing. The talk I had with Mr. Ellis was certainly in 1954.

Q. You are positive of that, are you?

A. Yes, 1954. The contract wasn't made until 1955.

Q. We know that. That is a matter of record.

A. Well, the whole thing took place—Mr. Coons testified in the proceedings as to the time he was negotiating [103] with PG&E. It ties in with everything you're talking about here about August.

Q. Let me show you a document entitled 'In the Matter of the Application of W. D. MacKay to Perpetuate Testimony,' being filed in the Superior Court of the State of California, in and for the County of Los Angeles, Case No. 666,207. You are familiar with this?

A. What's that?

Q. This is a copy. Would you examine that and

identify that as a copy of the petition you filed, as indicated?

A. You mean that is in this particular action?

Q. Yes.

A. Oh, yes, Mr. Hayden. Oh, yes, I know of the application that was filed.

Q. You signed it? A. Yes, I signed it.

Q. Is that a copy of what you signed?

A. Well, I assume it is a copy.

Q. You determine it, please.

A. I recall this here and the statement right in here I either underscored it or call Mr. Hayden's attention to it, that it was absolutely wrong—'Until approximately December 31, 1953, Mr. MacKay had numerous contacts with Mr. Hefler in which he advised Mr. Hefler of the progress of his work with the Pacific Gas & Electric Company'—no such thing ever occurred and I told him that and asked him if he wanted to change it, to correct that particular situation.

Q. You are reading from the document I have referred to?

A. I am reading from the same document I signed, because the same language is there. The next morning he advised me—he said he would think that situation over, that he was in a hurry to get away in the evening. It was [104] after 5:00 o'clock and he said the change would be made in the morning. I didn't sign the document until the next day. He said that was immaterial.

Q. Read on now.

A. 'The various pieces of information necessary

to be used by Mr. MacKay; that on or about April 11, 1955'—

Q. Wait a minute. You're not reading intelligently. Let's get into the record what it says, and go slowly enough so that the reporter can take it.

A. —'in which he advised Mr. Hefler of the progress of his work with the Pacific Gas & Electric Company'—which I didn't do at all—'and the Southern California Gas Company in which Mr. Hefler gave Mr. MacKay various pieces of information necessary to be used by Mr. MacKay; that on or about April 11, 1955, Pacific Gas & Electric Corporation signed a contract with the American Potash & Chemical Corporation under which the Pacific Gas & Electric Company was to supply the Trona plant of the American Potash & Chemical Corporation with natural gas.' That is correct.

Q. Which statement was it that was incorrect?

A. The statement in here as to my numerous contacts with Mr. Hefler in which I advised Mr. Hefler of the progress of my work with Pacific Gas & Electric Company and the Southern California Gas Company.

Q. That is a false statement?

A. That is a false statement.

Q. You told Mr. Hayden it was false and he told you it didn't matter; it was immaterial?

A. The next morning when I signed that.

Q. But you signed this document that you read?

A. I signed it on his advice.

Q. Read on down here on Page 3 of the same document. [105] Let me read the whole thing to

you. You follow me as I read it and you tell me if this is what you signed.

'That on or about the 22nd day of November, 1952, Mr. Coons made an oral agreement with W. D. MacKay that if W. D. MacKay would assist the American Potash & Chemical Corporation in obtaining natural gas for use at its Trona, California, plant that the American Potash & Chemical Corporation would pay Mr. W. D. MacKay a reasonable compensation for his services.'

Is all of that correct or did you tell Mr. Hayden that was wrong, too?

A. No. Mr. Hayden had a complete copy of my statement and position on that and that was legal phraseology that I presume he put in there. I know how those things are handled.

Q. You read it over before you signed it?

A. I read it over before I signed it, and that was one of the things I called his attention to.

Q. What did you call his attention to?

A. That there was no definite understanding as to reasonableness of pay and things of that kind.

Q. You didn't have any definite understanding on it?

A. Not as to pay. He asked me and I didn't tell him.

Q. Asked you what?

A. What my fee would be.

Q. Who did? A. Mr. Coons.

Q. I see. You didn't tell him it would be reasonable?

A. I didn't tell him anything at all. If he could

get gas that I would expect a reasonable fee. I told him there would be a reasonable fee if the thing went through.

Q. Let's read on. [106]

'That Mr. Coons turned Mr. MacKay over to R. J. Hefler, the secretary to the American Potash & Chemical Corporation, with the instructions that Mr. MacKay and Mr. Hefler were to work together in connection with the project.' Is that a correct statement?

A. Well, 'work together.' I was to report to him.

Q. Just answer my question, Mr. MacKay. Is that a correct statement or not?

A. It depends on how you interpret it.

Q. You interpret it any way you want to and tell me whether it is a correct statement of what the fact is.

A. The only facts are that I was asked to make my reports direct to Mr. Hefler.

Q. Do you agree that all of this is correct now, or do you want to change any of it.

A. It is too late to change that there. How would you interpret that?

Q. I am not interpreting it. I am asking you if it is a correct statement.

A. The statement as far as it goes is correct, but as far as the actual facts, the only thing that he was to do for me and co-operate with me on was to furnish me any information that I wanted as to the fuel proposition and I was to make reports periodically to him, and he in turn would pass it on to Mr. Coons.

Q. Mr. Coons didn't tell you that he was the secretary of the corporation, did he?

A. No. He told me he was his assistant.

Q. So it isn't correct in saying that he was turning you over to Mr. Hefler, the secretary, because you didn't know that he was the secretary.

A. I didn't know at the time, no. [107]

Q. All right. Reading on, 'That thereafter, on or about the 31st day of December, 1953, Mr. MacKay advised Mr. Coons that the Pacific Gas & Electric Company would go forward with the project of providing gas to the Trona plant of the American Potash & Chemical Corporation and Mr. Coons advised Mr. MacKay because of Mr. Coons' long-standing friendship with the President of Pacific Gas & Electric Corporation that he, Mr. Coons, would take over the negotiations with Pacific Gas & Electric Company and that Mr. MacKay should do nothing further in the transaction.'

Is that a correct statement?

A. No, that is not a correct statement.

Q. And yet you signed the statement to that effect?

A. I signed it and I talked to him about that, too.

Q. What did you tell him?

A. I told him exactly what the facts were.

Q. What was the fact in that regard?

A. Let me see what he is referring to there. 'Advised Mr. Coons.' I never talked with Mr. Coons, as I say, from the time I first met him until 1954, so that was absolutely wrong and I told what you call him.

Q. What did you tell him the facts were?

A. I called his attention to what the facts were.

Q. What were the facts, Mr. MacKay?

A. That I never had any contact with Mr. Coons direct, only twice, in all this proceeding.

Q. What were those?

A. When I first met him in November and then again last July, that is, when I saw him face to face. Then I had this phone conversation when he sent me to Oakland. That's the first time.

Q. Was that in December of '53? [108]

A. Oh, no, that was way after. That was way along in '54.

Q. So you signed a statement under oath to the effect that it was on or about the 31st day of December, 1953, that Mr. Coons told you of his long-standing friendship with Mr. Black?

A. He told me that in 1954.

Q. So this is a wrong statement?

A. That is a wrong statement, and I called his attention to the time element and every factor you are referring to there, because I read that thing very carefully.

Q. And he said it didn't make any difference?

A. He did not right there. The next morning—I didn't sign it that night. I didn't sign it until the next morning, and he said he thought it was o.k. the way it was.

Q. All right.

A. So I was under the advice of an attorney and that's what I signed.



Q. It goes on to say, 'Thereafter Mr. Coons did negotiate with the Pacific Gas & Electric Company thereafter on or about the 11th day of April, 1955. The contract was entered into between Pacific Gas & Electric Company and the American Potash & Chemical Corporation for the supplying of natural gas to the Trona plant of the American Potash & Chemical Corporation.'

Then down here—this is not a signed copy but appears to be a conformed copy—we have the following: 'W. D. MacKay, the petitioner herein, above mentioned, being first duly sworn, deposes and says; that he has read the foregoing petition and he knows the contents thereof; that the same is true of his own knowledge, except as to matters which are therein stated on his information or belief, and as [109] to those matters he believes it to be true.'

Did you sign such a statement?

A. Yes, I signed that after being assured by my counsel that it was O.K. to sign it the way it was drawn.

Q. You are a man of age, Mr. MacKay. Do you think it is correct to state under oath something that you know is false?

A. It depends on the circumstances. When you place yourself in the hands of an attorney who is supposed to be skilled in that line and knows what he's doing, if he recommended it and said it was O.K., who was I to argue that point with him?

Q. We're not talking about legal effect. We are talking about facts, testimony.

A. When I called his attention to it he just

brushed it off as if it was just a matter of form or something to that effect.

Q. And he advised you that it would be all right to sign it anyway even though you told him it was incorrect?

A. Yes.

Q. You told him it was incorrect, did you?

A. Yes, I called his attention to these various discrepancies.

Q. Did you understand when you signed this that you were supposed to be making the statement under oath?

A. Certainly, it was under oath there, but, as I say, when you're working with an attorney he is the fellow that is guiding you. I wouldn't have an attorney if I wasn't going to follow his advice, right or wrong.

Q. Let's go back to your statement in this document as to what you expected to prove on Mr. Heffler that you said was to contain an incorrect statement. Reading on Line 15, [110] 'That on or about the 22nd day of November, 1952, he, R. J. Heffler, was called to the office of R. B. Coons, the vice-president of American Potash & Chemical Corporation, and was then told that W. D. MacKay had been employed by the American Potash & Chemical Corporation to assist the American Potash & Chemical Corporation in obtaining natural gas for the Trona plant.'

A. That is absolutely wrong. I never told him any such thing as that and I called his attention to that very fact.

Q. What is wrong about it?

A. Because he never told what you call him I was employed.

Q. He didn't—

A. I never used that terminology and never represented anywhere along the line that Mr. Coons ever made any such statement to Mr. Hefler.

Q. Did he make any such statement to you?

A. No, sir. All he did—Mr. Coons?

Q. Yes.

A. Mr. Coons, when he introduced me, introduced me as a man that apparently knew considerable about natural gas and thought he could be of assistance to them in obtaining gas at Trona. That was the way he introduced me to Mr. Hefler.

Q. That was the only understanding you had with Mr. Coons?

A. No. That's when we were together there. Before that when only Mr. Coons was present, he brought up the matter of compensation.

Q. All right. Let's read on down here and see what other errors you agree to that you signed. Continuing, [111] 'That Mr. Coons instructed Mr. Hefler to give Mr. MacKay such assistance as Mr. MacKay should need in carrying out his plan of getting gas for the Trona plant.'

Was that a correct statement?

A. Only to the extent that it applied to information on the matter of fuel.

Q. 'That thereafter Mr. Hefler gave Mr. MacKay a substantial amount of information to be used by Mr. MacKay in obtaining the natural gas for the Trona plant.'

A. The only information he ever gave me was the—he let me look at his book that I was privileged to take information off that I wanted, but I already had it, you see.

Q. That was in 1952 when you were in the company's office? A. Yes, sir.

Q. Other than that he never gave you any information? A. No, not a bit of it.

Q. You never asked for any, did you?

A. Nothing else. That was all he was authorized to give me.

Q. He never gave you any information nor did you ever ask him for any other information?

A. The only information he gave me of any consequence was the statement when he tipped me off to the fact that Mr. Coons was at Trona in company with some eastern officials.

Q. All right. Reading on, 'And that thereafter, until approximately December 31, 1953, Mr. MacKay had numerous contacts with Mr. Hefler in which he advised Mr. Hefler of the progress of his work with the Pacific Gas & Electric Company and the Southern California Gas Company, and in which Mr. Hefler gave Mr. MacKay various pieces of [112] information necessary to be used by Mr. MacKay.'

Now, it is also incorrect, is it, that you kept him advised of the progress of the work at the Pacific Gas & Electric Company?

A. Yes, absolutely that is incorrect. I very definitely called his attention to that because this was wholly contrary to the facts.

Q. Other than this gentleman you talked to, whose name you don't remember, up at Edwards Air Force Base, you never talked to any Pacific Gas & Electric people?

A. No Pacific Gas & Electric Man." (Emphasis supplied.)

With respect to the testimony of the plaintiff W. D. MacKay so far as the West End Chemical Company is concerned, the following testimony was given by Mr. MacKay in the aforesaid deposition:

"Q. Now, I notice on this memorandum we have been referring to here that apparently you had a telephone conversation with Mr. Ellis after you received this letter from him in which he declined giving you any compensation.

A. I just phoned him as a matter of courtesy, telling him that I wanted to notify him that I would like to meet him and discuss this situation.

Q. What did he say?

A. I never met him personally.

Q. What did he say?

A. Well, he recalled the conversation. He said, of course, he didn't have anything to do with this whole deal; that he was leaving the whole matter up to the American.

I said, 'Well, you certainly recall, do you not?'—  
I said, 'Your statement in your letter is contrary to the facts. You certainly recall the conversation I had with you on the phone, do you not?' [113]

'Yes,' he said, 'I recall some such.'

I said, 'Well, then, as far as the statement in your letter is concerned, that is erroneous,' and he shut

me off with 'Well, it's a matter that will have to be handled through Mr. Coons.'

Q. Did you make any statement in this conversation to Mr. Ellis that he owed you some compensation?

A. No. I wanted to straighten him out on the statement that I think he made in his letter—I've got it right here—that 'There has not been and there is not now any understanding between this company and yourself in connection with the use of your services'—he never heard of me at all. He sent a copy of the letter so I knew he was in direct touch with Mr. Coons on the situation and I wanted to straighten him out on that. It was just a matter of courtesy that I brought it to his attention.

Q. The sentence reads, 'There has not been and there is not now any understanding between this company and yourself in connection with the use of your services in this or any other matter and, therefore, the matter of proper compensation to you is not a matter in which we are in any way concerned.'

A. Yes, that is correct, and I told him—I said 'I am not calling you and I didn't write you that letter making any demands on you beyond what might be inferred from the conversation I had with you,' and I said, 'I gather from this conversation that you are backing up what Mr. Coons says, that he never heard of me, you might say,' and I said, 'I am only calling you to find out whether or not you recall the conversation I had with you in Oakland,' and he did. [114]

Q. You didn't make any claim for compensation?

A. I made no claim on him. I had no contract with him, I had nothing. I only talked to the man once."

That in the deposition of plaintiff affiant interrogated plaintiff with respect to the nature of any agreement he had with defendants American Potash & Chemical Corporation and West End Chemical Company and affiant testified in effect, as the portions of this testimony hereafter quoted will show, that he did not have an exclusive arrangement and that if he failed in his efforts to secure natural gas service for defendants, he would not expect any compensation.

"Q. Do I undersand, then, that you told Mr. Minister that whether or not you would get any compensation would depend on whether or not you obtained gas for Trona?

A. Absolutely I told him. We discussed the fact that I was willing to take that risk; that if we failed I would simply be out and that was all there was to it.

Q. If you got gas you would expect compensation; but if you did not get gas you would not expect compensation?

A. That is absolutely correct."

\* \* \*

"A. I want to put that in the record to make it a matter of record and I am giving Mr. Norman Sutherland's name, who is now president of the PG&E Company and the man who signed the contract later, so if they want to make an investigation as to whether or not Mr. Coons was doing some work

on the side on this deal unbeknownst to me, that that is a fact.

Q. You think Mr. Coons wasn't supposed to be doing anything?

A. I didn't deny him that right but I was led to believe all the time that I was handling this situation, [115] but that was not exclusive. There would be no objection on my part, anything he wanted to do, but he never mentioned to me this matter under any conditions, and this indicates what I have learned since completely verifies what my opinion was all the time as to the attitude and position of PG&E in this whole matter."

/s/ WILLIAM F. SPALDING.

Subscribed and Sworn to before me this 2nd day of January, 1958.

[Seal]      /s/ FRANCES G. ZIEBACH,  
Notary Public in and for Said  
County and State.

My Commission Expires: 9/29/58

[Endorsed]: Filed January 3, 1958. [116]

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[Title of District Court and Cause.]

MOTION FOR SUMMARY JUDGMENT AND  
NOTICE OF MOTION

Defendants American Potash & Chemical Co., Inc., a corporation, and Stauffer Chemical Company, a corporation, hereby severally move the above



Honorable Court to enter a summary judgment dismissing the Complaint herein as to each moving defendant upon the ground that as to each cause of action therein stated there is no genuine issue, and no substantial evidence, to support a material fact prerequisite to any recovery by plaintiff on each cause of action, as more particularly specified hereinafter. [117]

I.

There is no substantial evidence to support plaintiff's allegations in the First Cause of Action, and more particularly in Paragraph V thereof, that the alleged contracts or either of them were entered into as a result of plaintiff's services or efforts, or that the obtaining of natural gas service by moving defendants or either of them was in any way the result of plaintiff's services or efforts.

II.

There is no substantial evidence to support plaintiff's allegations in the Second Cause of Action, and more particularly in Paragraph I thereof by reference to Paragraph V of the First Cause of Action, that the alleged contracts or either of them were entered into as a result of plaintiff's services or efforts, or that the obtaining of natural gas service by moving defendants or either of them was in any way the result of plaintiff's services or efforts.

III.

There is no substantial evidence to support plaintiff's allegations in the Third Cause of Action, and

more particularly in Paragraph I thereof by reference to Paragraph V of the First Cause of Action, that the alleged contracts or either of them were entered into as a result of plaintiff's services or efforts, or that the obtaining of natural gas service by moving defendants or either of them was in any way the result of plaintiff's services or efforts.

Said motion is made and based upon each of the aforesaid grounds, upon all the files and records in this action, including any responses of plaintiff adverse to himself, to defendants' interrogatories now on file, whether such answers have or have not been filed as of the date of this motion, upon the affidavits [118] served and filed herewith, and upon the memorandum of points and authorities filed herewith.

Dated: January 3, 1958.

VINCENT H. O'DONNELL,  
FREDRIK S. WAISS,

By FREDRIK S. WAISS, per

/s/ LESLIE G. TURNER,

Attorneys for Defendant Stauffer Chemical Company, a Corporation.

GIBSON, DUNN & CRUTCHER,  
WILLIAM F. SPALDING,  
LESLIE G. TURNER,  
MARTIN E. WHELAN, JR.,

By /s/ LESLIE G. TURNER,

Attorneys for Defendant American Potash & Chemical Co., Inc., a Corporation.

Notice of Motion

To the Plaintiff, W. D. MacKay, and to His Attorney, Gerald H. Gottlieb:

Please Take Notice that the above motion will be brought on for hearing before the above-entitled court in the courtroom of the Honorable Harry C. Westover, United States Post Office and Court House Building, 312 North Spring Street, Los Angeles, California, on the 13th day of January, 1958, at 2:00 o'clock p.m., or [119] as soon thereafter as counsel can be heard.

VINCENT H. O'DONNELL,  
FREDRIK S. WAISS,

By FREDRIK S. WAISS, per

/s/ LESLIE G. TURNER,

Attorneys for Defendant Stauffer Chemical Company, a Corporation.

GIBSON, DUNN & CRUTCHER,  
WILLIAM F. SPALDING,  
LESLIE G. TURNER,  
MARTIN E. WHELAN, JR.,

By /s/ LESLIE G. TURNER,

Attorneys for Defendant American Potash & Chemical Co., Inc., a Corporation.

[Endorsed]: Filed January 3, 1958. [120]

[Title of District Court and Cause.]

## PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

The motion of defendants American Potash & Chemical Co., Inc., and Stauffer Chemical Company, for a summary judgment dismissing the above action came on regularly for hearing on January 13, 1958, at 2:00 o'clock p.m. in the Courtroom of the Honorable Harry C. Westover; plaintiff appearing through his attorney, Gerald H. Gottlieb, and defendant American Potash & Chemical Co., Inc., appearing through its attorneys, Gibson, Dunn & Crutcher and Leslie G. Turner, and defendant Stauffer Chemical Company appearing through its attorney, Fredrik S. Waiss. The Court having duly heard oral argument on behalf of all parties, having considered all points and authorities, affidavits, and other papers on file, now make the following [122] Findings of Fact and Conclusions of Law with respect to said motion for summary judgment:

### Findings of Fact

1. There is no substantial evidence to support plaintiff's allegations in the First Cause of Action, and more particularly in Paragraph V thereof, that the alleged contracts or either of them were entered into as a result of plaintiff's services or efforts, or that the obtaining of natural gas service by moving defendants or either of them was in any way the result of plaintiff's services or efforts.

2. There is no substantial evidence to support plaintiff's allegations in the Second Cause of Action, and more particularly in Paragraph I thereof by reference to Paragraph V of the First Cause of Action, that the alleged contracts or either of them were entered into as a result of plaintiff's services or efforts, or that the obtaining of natural gas service by moving defendants or either of them was in any way the result of plaintiff's services or efforts.

3. There is no substantial evidence to support plaintiff's allegations in the Third Cause of Action, and more particularly in Paragraph I thereof by reference to Paragraph V of the First Cause of Action, that the alleged contracts or either of them were entered into as a result of plaintiff's services or efforts, or that the obtaining of natural gas service by moving defendants or either of them was in any way the result of plaintiff's services or efforts.

4. There is no triable issue of fact as to any of the matters heretofore set forth in Paragraphs 1, 2 and 3 of these Findings of Fact.

#### Conclusions of Law

1. If there was in fact ever any agreement between the plaintiff and the moving defendants or either of them, any such [123] agreement was not an exclusive right on the part of the plaintiff to obtain or attempt to obtain the furnishing of natural gas service to the plants of the moving defendants and each of them.

2. If there was ever any agreement between the plaintiff and the defendants or either of them, plaintiff never performed the services upon which any right to compensation was conditioned and is not entitled to any compensation whatsoever from either of the moving defendants.

3. The above-entitled action should be dismissed with costs awarded to prevailing defendants.

Dated: January . . . ., 1958.

.....,

HARRY C. WESTOVER,

Judge, United States District Court, Southern District of California, Central Division.

Lodged January 3, 1958. [124]

[Title of District Court and Cause.]

### PROPOSED JUDGMENT

Pursuant to the Findings of Fact and Conclusions of Law, signed by this Court, on the date hereinbelow entered on this Judgment, It Is Hereby Ordered, Adjudged and Decreed as follows:

1. That the above-entitled action is dismissed as to defendants American Potash & Chemical Co., Inc., a corporation, and Stauffer Chemical Company, a corporation, and each of them;

2. That defendant American Potash & Chemical Co., Inc., a corporation, recover from the plaintiff its cost of suit herein in the sum of \$. . . . .

3. That defendant Stauffer Chemical Company, a corporation, recover from the plaintiff its costs of suit herein in the sum [126] of \$.....

Dated: January ....., 1958.

.....,  
HARRY C. WESTOVER,  
Judge, United States District Court, Southern District of California, Central Division.

Lodged January 3, 1958. [127]

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[Title of District Court and Cause.]

### SUBSTITUTION OF ATTORNEYS

The above-named plaintiff hereby substitutes himself, W. D. MacKay, in propria persona, as his attorney of record in place of Gerald H. Gottlieb.

Dated: Jan. 24, 1958.

/s/ W. D. MacKAY.

Approved:

/s/ GERALD H. GOTTLIEB.

Dated: January 23, 1958.

It is so ordered: 1/27/57.

/s/ HARRY C. WESTOVER,  
Judge.

[Endorsed]: Filed January 27, 1958. [131]

[Title of District Court and Cause.]

MINUTES OF THE COURT, JAN. 13, 1958

Present: Hon. Harry C. Westover, District Judge.

Counsel for Plaintiff: G. H. Gottlieb.

Counsel for Defendant American Potash  
& Chem. Co.: Martin E. Whelan, Jr.

Proceedings:

For (1) hearing motion of defendant American  
Potash & Chemical (filed 12/6/57) to dismiss;

(2) Hearing motion of defendants (filed 1/3/58)  
for summary judgment;

(3) Further pretrial.

Attorney Gottlieb requests a continuance.

It Is Ordered that cause is continued to Jan. 27,  
1958, 2:00 p.m., for hearing on said motions and  
further pretrial.

JOHN A. CHILDRESS,

Clerk;

By /s/ MARY O. SMITH,

Deputy Clerk. [132]

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[Title of District Court and Cause.]

ORDER EXTENDING TIME

Good cause having been shown and the Court hav-  
ing considered the Affidavit of W. D. MacKay on  
file herein, the Motion for Summary Judgment here-  
tofore set for hearing on Monday, January 27, 1958,



is hereby continued to Feb. 17, 1958, at the hour of 10:00 o'clock a.m.

Plaintiff is also granted an extension to and including February 17th, 1958, within which to file his Answer to defendant's Interrogatories on file herein.

Dated: January 27, 1958.

/s/ HARRY C. WESTOVER,  
District Judge.

[Endorsed]: Filed January 27, 1958. [135]

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[Title of District Court and Cause.]

AFFIDAVIT OF W. D. MacKAY IN SUPPORT  
OF MOTION FOR CONTINUANCE

State of California,  
County of Los Angeles—ss.

W. D. MacKay, being first sworn, deposes and states:

I am the plaintiff in this action. That there is now pending a Motion for Summary Judgment on behalf of the defendants herein which is set for hearing on Monday, January 27, 1958.

That my attorney of record is Gerald H. Gottlieb; that as shown more particularly by the Substitution of Attorneys filed concurrently herewith it has been mutually agreed between us that Mr.

Gottlieb will withdraw from the case and that I will be represented by myself in propria persona. That in view of the detailed and complicated technical legal documents filed by the defendants herein it is essential that I have legal counsel to be adequately represented; that despite diligent efforts I have been unable so far to procure competent substitute legal counsel. [136]

That affiant is informed and believes and therefore alleges that he should be granted an extension or continuance of not less than forty-five (45) days within which to secure new counsel and adequately acquaint such counsel with the facts of the transaction in order that such counsel may, if necessary and desirable, exhaust proper discovery procedures prior to the hearing of pending Motion for Summary Judgment and answer defendant's interrogatories on file herein.

/s/ W. D. MacKAY.

Subscribed and sworn to before me this 21st day of January, 1958.

[Seal]      /s/ MARIN T. KRISTOVICH,  
Notary Public in and for Said  
County and State.

[Endorsed]: Filed January 27, 1958. [137]

[Title of District Court and Cause.]

MINUTES OF THE COURT, JAN. 27, 1958

Present: Hon. Harry C. Westover, District Judge.

Deputy Clerk: Mary O. Smith.

Reporter: S. J. Trainor.

Plaintiff W. D. MacKay in pro. per.

Counsel for Defendant American Potash  
& Chem. Co.: Martin E. Whelan, Jr.

Proceedings:

For (1) hearing motion of defendant American Potash & Chemical Co. (filed 12/6/57) to dismiss.

(2) Hearing motion of defendants (filed 1/3/58) for summary judgment;

(3) Further pretrial.

Plaintiff W. D. MacKay makes a statement and requests a continuance in order to secure new counsel.

Attorney Whelan makes a statement re interrogatories not answered by plaintiff.

It Is Ordered that all of the above matters continued to Feb. 17, 1958, 10:00 a.m., for further proceedings.

JOHN A. CHILDRESS,

Clerk;

By /s/ MARY O. SMITH,

Deputy Clerk. [138]

[Title of District Court and Cause.]

AFFIDAVIT OF W. D. MacKAY IN SUPPORT  
OF MOTION FOR CONTINUANCE

State of California,  
County of Los Angeles—ss.

W. D. MacKay, being first sworn, deposes and states:

I am the plaintiff in this action. That there is now pending a Motion for Summary Judgment on behalf of the defendants herein which is set for hearing on Monday, February 17, 1958.

That in view of the detailed and complicated technical legal documents filed by the defendants herein it is essential that I have legal counsel to be adequately represented; that despite diligent efforts I have been unable so far to procure competent substitute legal counsel, and am still appearing in propria persona.

That I had approached at least one attorney with regard to taking my case and that he became ill with the current influenza and has been unable to analyze the case preliminary to deciding whether to represent me or not. [139]

That as shown by the file herein, defendants are well represented by at least six attorneys, who seem determined to freeze my case out and prevent its trial on the merits, by making a series of complicated and technical motions.

That affiant is advised and believes and therefore alleges that the Court has been most generous in allowing litigants with prominent lawyers substantial extensions of time in many cases.

That affiant is informed and believes and therefore alleges that he should be granted an extension or continuance of not less than forty-five (45) days within which to secure new counsel and adequately acquaint such counsel with the facts of the transaction in order that such counsel may, if necessary and desirable, exhaust proper discovery procedures prior to the hearing of the pending Motion for Summary Judgment.

/s/ W. D. MacKAY.

Subscribed and sworn to before me this 13th day of February, 1958.

[Seal]     /s/ FREDERICK G. CARPENTER,  
Notary Public in and for Said  
County and State.

[Endorsed]: Filed February 17, 1958. [140]

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[Title of District Court and Cause.]

PLAINTIFF'S ANSWERS TO  
DEFENDANTS' INTERROGATORIES

State of California,  
County of Los Angeles—ss.

Now Comes W. D. MacKay, plaintiff herein, in propria persona, and being first duly sworn, an-

swers the Interrogatories of Defendants herein as follows:

Interrogatory No. 1:

With what officers, agents and employees, if any, of Pacific Gas & Electric Company have you at any time on or before April 11, 1955, been in personal or telephonic conference with or directed any other type of communication to (whether by letter, telegram or any other means), or received any other type of communication from (whether by letter, telegram or any other means), concerning or in any way related to the furnishing of natural gas service by Pacific Gas & Electric Company to either the general [141] area of and around Trona, California, or to any plant of American Potash & Chemical Co., Inc., in or around that area, or to any plant of the then West End Chemical Company in or around that area, or to any combination of the aforementioned. As to each such communication, state, after the name of the particular officer, agent, or employee of Pacific Gas & Electric Company named by you:

(a) The date of each conference with, and each other communication from, or directed to that person;

(b) The type of communication, whether with you and that person present together, by telephone, letter, telegram, or other means;

(c) As to each communication other than where you and the other person were present together, who wrote or otherwise originated the communication;

(d) What was said or written by either you or that other person or both in each such communication;

(e) Whether you have in your possession or under your control either the written communication involved, or any written memoranda of the oral communication involved.

Answer to Interrogatory No. 1:

None.

Interrogatory No. 2:

With what officers, agents and employees, if any, of Pacific Gas & Electric Company have you at any time after April 11, 1955, and to and including October 1, 1955, been in personal or telephonic conference with or directed any other type of communication to (whether by letter, telegram or any other means), or received any other type of communication from (whether by letter, telegram or any other means), concerning or in any way related to the furnishing of natural gas service by Pacific Gas & Electric Company to either the general area of and around Trona, California, or to any plant of American Potash & Chemical Co., Inc., in or around that area, or to [142] any plant of the then West End Chemical Company in or around that area, or to any combination of the aforementioned. As to each such communication, state, after the name of the particular officer, agent, or employee of Pacific Gas & Electric Company named by you:

(a) The date of each conference with, and each other communication from, or directed to that person;

(b) The type of communication, whether with you and that person present together, by telephone, letter, telegram, or other means;

(c) As to each communication other than where you and the other person were present together, who wrote or otherwise originated the communication;

(d) What was said or written by either you or that other person or both in each such communication;

(e) Whether you have in your possession or under your control either the written communication involved, or any written memoranda of the oral communication involved.

Answer to Interrogatory No. 2:

None.

Interrogatory No. 3:

To your personal knowledge, what individuals, if any, including yourself, other than individuals now known by you to have then been officers, or full-time regular employees of either (i) American Potash & Chemical Co., Inc., (ii) the then West End Chemical Company, or (iii) Pacific Gas & Electric Company, had anything to do with interesting Pacific Gas & Electric Company in furnishing



natural gas service either to the general area of and around Trona, California, or to the plant in that area of American Potash & Chemical Co., Inc., or to the plant in that area of the then West End Chemical Company, or more than one of the foregoing. As to each such individual, and next to his or her name, state:

(a) What you know that individual did in so interesting Pacific Gas & [143] Electric Company:

(b) To the extent known, the approximate date or dates on which such was done by each such individual;

(c) To the extent that you have no personal knowledge of what each such individual did in so interesting Pacific Gas & Electric Company, what you believe them to have done based on information or any type which you now have;

(d) To the extent that you do not know of your own knowledge the approximate date or dates on which such was done by any such individual, state the approximate date or dates on which you believe such was done based upon any information which you now have;

(e) If there are any affirmative responses to subparts (c) and (d), upon what information are the affirmative responses to subparts (c) and (d) based, and from whom was that information obtained, and do you have in your possession or under your control any written documents or other records evidencing such information:

## Answer to Interrogatory No. 3:

(1) Howard L. Minister, Former Mechanical Engineer, Utilities Procurement Division, 11th Naval District, San Diego, Calif.

Clarence L. Alliman, Present Director of Utilities, District Public Works Office, 11th Naval District, San Diego, Calif.

(a) As to Howard L. Minister: On or about October 15th or 18th, 1951, he personally conferred with Mr. James Black, then President, or Chairman of the Board of Directors, Pacific Gas & Electric Company in the P. G. & E. Co. building at San Francisco. I understand Mr. Minister went into detail as to the volume of gas that might be used by American Potash & Chemical Co., West End Chemical Co., as well as the Communities of Trona and West End. Amount of gas also that might be used by the U. S. Naval Ordnance Depot at China Lake and the Community of Ridgecrest. Explained the preponderant position of the two Chemical Companies and of the large volume of gas (on an interruptible [144] basis) necessary to offset their present use of fuel oil in their respective Plants located at Trona and West End, known as the "Trona area." This was the second meeting Mr. Minister had with Mr. Black on this same proposition. I understand Mr. Black advised Mr. Minister that they (P. G. & E.) had talked with our Southern Utility (presume Southern California Gas Co.) re-

garding this matter. I understand Mr. Minister, in a meeting with American Potash & Chemical officials, advised them of his meetings with Mr. Black—assuring him he would contact him just as soon as this amount of gas was available and go along with the proposition. I also understand Mr. Minister talked with representatives of P. G. & E. Co., including Mr. Black, the second week in October and the first week in November, 1952, but I have no knowledge who these representatives were nor what was discussed, and there may have been other meetings during the first seven months of 1952.

(b) As stated in (a) there was a meeting with Mr. Black prior to October 15-18, 1951; and also one on or about October 8-11th, 1952. Mr. Minister, on or about October 8 to 11, 1951, visited the plant of American Potash & Chemical Co., in Trona and advised them Mr. Black had assured him that he would contact him just as soon as this amount of gas was available.

I do not know with whom Mr. Minister discussed this matter at the American Plant on this occasion.

(c) I discussed these visits with Mr. Black and others in detail with Mr. Minister in my meeting with him in Cheyenne, Wyoming, on February 2, 1957, and also later in Los Angeles, California. It is my understanding in all these talks with P. G. & E. Co. officials, he stressed the importance of this business, giving them full details as to the position of the U. S. Navy's possible demands and explain-

ing their load would not justify building a line to serve. Also he advised Mr. Black of his surveying the area through which he felt it would be feasible to construct the pipeline to Trona, and also explained the location of Ridgecrest and the Naval Station in relation to the pipeline that would have to be built to serve the [145] two Chemical plants in the vicinity of Trona.

(d) As to the dates mentioned above, these are from information given me by Mr. Minister.

(e) In addition to the verbal information given me by Mr. Minister, I have his written report verifying same.

(2) (a) Clarence L. Alliman succeeded Mr. Minister at San Diego when the latter was transferred to the Philippine Islands on January 16, 1953. Mr. Alliman, accompanied by Mr. Robert M. Coons, Vice. Pres., American Potash & Chemical Co., in the early Fall of 1953 (possibly in September or October), called on Mr. Sutherland, President and General Manager of P. G. & E. Co., in San Francisco. He explained the position of the Navy, and I assume went over the entire project in about the same way as had Mr. Minister in his talks with Mr. Black. This meeting resulted in Mr. Sutherland advising them P. G. & E. Co. were then not interested in the matter—that they had insufficient gas, and possibly gave other reasons. I am not aware at this time what other officials of the P. G. & E. Co. might have been contacted at the same time.

(b) I am not aware of other meetings Mr. Alliman may have had with any other official of Pacific Gas & Electric Co. regarding this matter.

(c) I have discussed this with Mr. Alliman on several occasions and feel sure he did everything possible at that time to interest P. G. & E. Co. in providing gas for the area, although prior to that time there were no funds (capital) through which the Navy could pay any portion of the short transmission line necessary to bring the gas to the Ordnance Station, which condition I understand continued to exist up to the time P. G. & E. Co. received authorization from the P. U. C. to construct this line to the Ridgecrest area, and still does.

(d) I place this meeting in San Francisco to have taken place at time indicated from information I obtained from Mr. Alliman.

(e) I have no written report from Mr. Alliman covering this, or any other visits he may have made with P. G. & E. Co. relative to this matter. [146]

Interrogatory No. 4:

What individual, if any, including yourself, other than individuals now known by you to have then been officers or full-time regular employees of either (i) American Potash & Chemical Co., Inc., (ii) the then West End Chemical Company, or (iii) Pacific Gas & Electric Company, do you now have any information other than personal knowledge upon which to assert that those individuals had anything

to do with interesting Pacific Gas & Electric Company in furnishing natural gas service either to the area of and around Trona, California, or to the plant in that area of American Potash & Chemical Co., Inc., or to the plant in that area of the then West End Chemical Company, or more than one of the foregoing. As to each such individual, and next to his or her name, state:

(a) What that information indicates as to what the particular individual did in so interesting Pacific Gas & Electric Company;

(b) What that information indicates as to the approximate date or dates on which such was done by each such individual;

(c) From whom the information was obtained;

(d) Whether you have in your possession or under your control any written documents or other records evidencing such information.

Answer to Interrogatory No. 4:

I do not at this time recall talking with or hearing of any person, other than those referred to in Interrogatory No. 3, who may have sought to interest P. G. & E. Co. to make natural gas possible to the Trona area.

Interrogatory No. 5:

With what members, agents and employees of the California Public Utilities Commission have you at

any time on or before July 12, 1955, been in personal or telephonic conference with or directed any other type of communication to (whether by letter, telegram or any other means), or received any other type of communication from (whether by letter, telegram or any other means), concerning or in any way related to the furnishing of [147] natural gas service by Pacific Gas & Electric Company to either the general area of and around Trona, California, or to any plant of American Potash & Chemical Co., Inc., in or around that area, or to any plant of the then West End Chemical Company in or around that area, or to any combination of the aforementioned. As to each such communication, state, after the name of the particular member, agent, or employee of the California Public Utilities Commission named by you:

(a) The date of each conference with, and each other communication from, or directed to that person;

(b) The type of communication, whether with you and that person present together, by telephone, letter, telegram or other means;

(c) As to each communication other than where you and the other person were present together, who wrote or otherwise originated the communication;

(d) What was said or written by either you or that other person or both in each such communication;

(e) Whether you have in your possession or under your control either the written communication involved, or any written memoranda of the oral communication involved.

Answer to Interrogatory No. 5:

(a) As to talking with any member of the Public Utilities Commission Staff—I do not at this time recall the names of any. However, it is probable I did tell one or more such employees of the effort I was making to obtain natural gas for the two Chemical Companies and of the arrangement I had with the American Potash & Chemical Co. for doing so. Since I presently have no clear recollection of any such talks I am unable to state any date.

(b) If I had such talk, or talks, they would have been verbal and in connection with the general natural gas situation, or some particular case then in action before the P. U. C. No date known.

(c) Verbal, as explained in (b), and would be originated by me.

(d) Do not recall any such meetings, but if occurred I am sure [148] would refer to my arrangement with American Potash & Chemical Co. to assist them in obtaining natural gas for their own use and the area's use. No written communication of any kind.

(e) I do not recall ever receiving any written communication on this subject from any employee



of the Public Utilities Commission of the State of California.

Interrogatory No. 6:

Did you in any way participate in the hearings of the Public Utilities Commission of the State of California held in connection with the request for approval of the contracts entered into on or about April 11, 1955, between American Potash & Chemical Co., Inc., and Pacific Gas & Electric Company, and West End Chemical Company and Pacific Gas & Electric Company? If so, state the nature of your participation and exactly what you did in those hearings.

Answer to Interrogatory No. 6?

As to participating in the hearings before the Public Utilities Commission of the State of California wherein the two Chemical Companies were seeking approval of the contracts entered into with P. G. & E. Co. on or about April 11, 1955—the answer is I did not participate. I was fully informed as to the applications previously filed, as well as the hearing date, but in view of Mr. Coons' statement relative to his long-standing friendship for Mr. Black, I felt he was acting in line with our talk over the 'phone when I return from talking with Mr. Ellis in Oakland.

Dated: February 17th, 1958.

/s/ W. D. MacKAY.

Subscribed and sworn to before me this 17th day of February, 1958.

[Seal]      /s/ MARGARET SILVA,  
Notary Public in and for Said  
County and State.

My Commission Expires July 8, 1960.

[Endorsed]: Filed February 17, 1958. [149]

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[Title of District Court and Cause.]

MINUTES OF THE COURT, FEB. 17, 1958

Present: Hon. Harry C. Westover, District Judge.

Plaintiff: W. D. MacKay in pro. per.

Counsel for Defendant American Potash  
& Chem. Co.: Martin E. Whelan, Jr.

Counsel for Defendant West End Chemical: Frederick S. Waiss.

Proceedings:

For (1) hearing motion of defendant American Potash & Chemical Co. (filed 12/6/57), to dismiss;

(2) Hearing motion of defendants (filed 1/3/58), for summary judgment;

(3) Further pretrial.

Court makes a statement to plaintiff appearing in pro. per.

Plaintiff makes a statement to the Court and requests a continuance in order to secure counsel.

Court makes a further statement.

Attorney Whelan makes a statement opposing any further continuance.

It Is Ordered that all matters herein are continued to March 17, 1958, 10:00 a.m., for further proceeding.

JOHN A. CHILDRESS,  
Clerk;

By /s/ MARY O. SMITH,  
Deputy Clerk. [152]

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[Title of District Court and Cause.]

AFFIDAVIT OF W. D. MacKAY IN OPPOSITION TO MOTION FOR SUMMARY JUDGMENT

State of California,  
County of Los Angeles—ss.

W. D. MacKay, being first duly sworn, deposes and says:

- (1) That he is the plaintiff herein;
- (2) That he is presently appearing in propria persona, among other reasons, for the reason that he is financially unable to pay the substantial legal fees necessary to place the prosecution of his suit on a par with the capable representation of defendants, who, as large corporations, have retained numerous eminent counsel;
- (3) That to the best of his knowledge and belief, defendants' motion for summary judgment and

the affidavits supporting it do not clearly show that no triable issue of fact remains in the case;

(4) That he demonstrated the feasibility and desirability of gas service to [171] the subject defendants' to the representatives of the Southern California Gas Company in the fall of 1952. That to the best of his knowledge and belief PG&E had never been interested in servicing the defendants. That he offered to contact PG&E personnel to expedite discussions between the defendants, PG&E and the Southern California Gas Company complex (The Pacific Lighting Group) but that representatives of defendants and the Pacific Lighting Group advised him they would take the next step of initiating such negotiations and/or discussion.

(5) That the area under discussion is a "fringe" area, and that gas service to users in such area is normally the subject of direct negotiations between the PG&E and the Pacific Lighting Group;

(6) That to the best of his knowledge and belief, he induced, effected and set in motion the chain of events that directly and proximately culminated in the contract between PG&E and defendants.

(7) That he is at a loss to explain certain statements, made by defendants' affiants which are contrary to his knowledge and belief of the activities of the parties. That such sharp conflict as to such questions of fact can only be resolved by a trial with full and proper cross-examination.

(8) That plaintiff cannot now oppose statements of Messrs. Jacobs and Gumz that each of them did not contact the other's employer company, and the unwarranted inference that no one in either company contacted the other company, since such facts are peculiarly within the knowledge of the executive personnel of PG&E and the Pacific Lighting Group.

(9) That plaintiff has not yet taken the depositions of such personnel since he had no reason to believe that qualified denials of such inter-company negotiations would be made. In addition such procedure would be very expensive, and unless essential, plaintiff did not wish to incur such expense.

(10) That if and only if the determination of the motion for summary judgment turns on the presence or absence of negotiations and/or contracts and/or discussions between such executive personnel, plaintiff desires to take their depositions.

/s/ W. D. MacKAY.

Subscribed and sworn to before me this 11th day of March, 1958.

[Seal]      /s/ GERTRUDE M. BERG,

Notary Public in and for Said  
County and State.

Commission expires 1/30/62.

[Endorsed]: Filed March 11, 1958. [172]

[Title of District Court and Cause.]

MOTION TO STRIKE PORTIONS OF AFFIDAVITS OF J. H. GUMZ, ROBERT D. COONS, W. M. JACOBS, GEORGE C. ELLIS, AND WILLIAM F. SPAULDING

Now comes plaintiff and moves the Court to strike portions of the affidavits of the above-named persons, attached to defendants' motion for Summary Judgment, on the grounds that such affidavits do not comply with Rule 56(e), Federal Rules of Civil Procedure, in the following particulars:

1. Affidavit of J. H. Gumz—December 27, 1957:

p. 2, 11. 2-11—Statement is not made on "personal knowledge" (Rule 56(e)), since oral inquiries could have been made to PG&E personnel other than affiant. Statement is obviously inadmissible hearsay, as framed. Statement is a conclusion.

p. 2, 1.31-P. 3, 1.5—Whether or not affiant was so "advised" is immaterial to the determination of this motion. Statement is inadmissible hearsay. [175]

p. 3, 11. 5-13—Affiant can describe only facts within his own knowledge. Speculation or conclusions as to actions of other PG&E personnel is inadmissible. Statement calls for hearsay.

p. 3, 11. 17-24—Statement is clearly conclusory, and to the extent beyond affiant's "personal knowledge," is inadmissible hearsay.

p. 3, 11. 24-27—Statement is incompetent, irrelevant and immaterial. An affiant's lack of knowledge is not proof of a disputed fact.

p. 3, 1. 28-p. 4, 1.2—Statement is incompetent, irrelevant and immaterial. Affiant's lack of knowledge is not evidence.

As shown by examination of such affidavit, the majority thereof consists of statements that affiant has no knowledge of disputed facts. Defendants' transparent attempt to raise an inference therefrom in their favor is clearly improper upon a motion for Summary Judgment, where affiant, an employee of a company friendly to defendants, is not available for cross-examination.

2. Affidavit of Robert D. Coons—January 2, 1958:

p. 2, 11. 2-4—Conclusion. Argumentative.

p. 2, 11. 13-16—Argumentative, irrelevant and immaterial.

p. 3, 1. 3—"Resulted" is conclusion.

p. 3, 11. 5-7—Controverted by p. 2, 11. 8-14 complaint, hence immaterial here.

p. 3, 11. 8-10—Affiant's lack of knowledge is not a "fact" under Rule 56(e). [176]

3. W. M. Jacobs' Affidavit—December 27, 1957:

p. 2, 11. 6-8—Ambiguous as to whether "purpose" (1.6) was joint or Mr. Jacobs' only.

p. 2, 1. 18—"Belief" is not the "personal knowledge" required by Rule 56(e).

p. 2, 11. 26-27-p. 2, 1. 32-p. 3, 1.1—Mr. Jacobs' lack of knowledge is not a "fact" made on "personal knowledge" as to which he is competent to testify. No mention of Pacific Lighting Co., Southern California Gas Company's "activities" in this regard.

p. 3, 11. 1-8—No mention of Pacific Lighting Company.

Mr. Jacobs' affidavit is cleverly drawn to raise the inference that since Mr. Jacobs did not (assertedly) contact PG&E, no one did. The affidavit fails to mention that Southern California Gas Company's parent company, and its officers negotiated such agreements and "deals" or that its sister supply company, Pacific Lighting Gas Supply Company (also owned by Pacific Lighting Company), and its officers, had over-all supervision of gas supply, etc. The affidavit is limited to Southern California Gas Company. These studied omissions plus the mentioned deficiencies in the affidavit, demonstrate the frail weight of such affidavit.

4. George C. Ellis' Affidavit—December 30, 1957:

p. 2, 11. 4-5—Conclusion as to what "led to" contract.

p. 2, 11. 12-16—"Information and belief" is not the personal knowledge required by Rule 56(e). [177]



5. William F. Spaulding Affidavit—January 2, 1958:

p. 1, 1. 30-p. 17, 1. 3—This reference to the Proceedings to Perpetuate Testimony is doubly objectionable. First, the Motion for Summary Judgment does not specify such testimony as a basis for such motion. Second, defendants have not attached to such affidavit “sworn or certified copies” of such testimony to the affidavit as required by Rule 56(e). No compliance with Rule 26(d) regarding proper foundation before use of such material is alleged or proven.

p. 17, 11. 8-11—Conclusion of counsel. Argumentative.

p. 17, 1. 12-p. 18, 1. 6—Same objections as above to such material.

As demonstrated above, a substantial portion of defendants’ affidavits are seriously defective. In view of defendants’ competent counsel, plaintiff submits that the proper procedure would be to strike all such affidavits, and so moves, or, in the alternative, moves to strike the portions so specified.

This Motion is based upon each of the above grounds, upon all the records, files and papers in such action, and upon the Points and Authorities filed concurrently herewith.

Dated: March 11th, 1958.

/s/ W. D. MacKAY,  
In Pro. Per.

## Notice of Motion

To the Defendants, and to Their Attorneys:

Please Take Notice that the above motion will be brought on for hearing before the above-entitled court in the courtroom of the [178] Honorable Harry C. Westover, United States Courthouse Building, 312 North Spring Street, Los Angeles, California, on the 17th day of March, 1958, at 10:00 o'clock a.m. or as soon thereafter as the parties can be heard.

/s/ W. D. MacKAY,

In Pro. Per.

[Endorsed]: Filed March 11, 1958. [179]

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In the United States District Court, Southern  
District of California, Central Division

No. 933-57—HW

W. D. MacKAY,

Plaintiff,

vs.

AMERICAN POTASH & CHEMICAL CO., INC.,  
a Corporation, et al.,

Defendants.

MOTION FOR CONTINUANCE OF HEARING  
OF MOTION FOR SUMMARY JUDGMENT

Provided that the Court does not dismiss and deny defendants' motion on the proofs submitted,

plaintiff, upon his affidavit attached, moves the Court for an order postponing and continuing the hearing of the defendants' Motion for Summary Judgment until such time as plaintiff shall have taken the deposition of the persons hereafter referred to.

The persons whose depositions plaintiff desires to take, the issues regarding which plaintiff desires to examine each of such persons, and the facts which plaintiff seeks to establish by such examination, are as follows:

#### Issues and Facts

Plaintiff desires to examine each as to negotiations, conferences, discussions, etc., had by such persons with personnel of Pacific Lighting Group [180] and defendants herein regarding gas service by P. G. & E. to defendants. Plaintiff seeks to establish that the P. G. & E. and the Pacific Lighting Group did commence such negotiations, conferences, and/or discussions after plaintiff's conferences with Southern California Gas Company personnel in the Fall of 1952.

#### Names

1. James Black—P. G. & E.
2. Norman Sutherland—P. G. & E.
3. J. H. Gumz—P. G. & E.
4. Executive Engineer—P. G. & E.
5. Vice-President, Gas Operations—P. G. & E.
6. Grove Lawrence—Pacific Lighting Gas Supply Co.

7. W. M. Jacobs—Pacific Lighting Gas Supply Co.
8. Frank Foster—Southern California Gas Co.
9. Robert B. Coons—Southern California Gas Co.
10. George C. Ellis—Southern California Gas Co.

Dated: March 11th, 1958.

/s/ W. D. MacKAY,  
In Pro. Per.

### Notice of Motion

To the Defendants, and to Their Attorneys:

Please Take Notice that the above motion will be brought on for hearing before the above-entitled court in the courtroom of the Honorable Harry C. Westover, United States Courthouse Building, 312 North Spring Street, Los Angeles, California, on the 17th day of March, 1958, at 10:00 o'clock a.m. or as soon thereafter as the parties can be heard.

/s/ W. D. MacKAY,  
In Pro. Per.

[Endorsed]: Filed March 11, 1958. [181]

[Title of District Court and Cause.]

MINUTES OF THE COURT, MARCH 17, 1958

Present: Hon. Harry C. Westover, District Judge.  
Plaintiff W. D. MacKay present in pro.  
per.

Counsel for Defendant American Potash  
& Chem. Co.: Martin E. Whelan, Jr.

Counsel for Defendant West End Chemical:  
Frederick S. Waiss.

Proceedings:

For (1) hearing motion of plaintiff (filed 3/11/58)  
for continuance of hearing motion for summary  
judgment;

(2) Hearing motion of plaintiff (filed 3/11/58)  
to strike portions of affidavits of J. H. Gumz, Robert  
D. Coons, W. M. Jacobs, George C. Ellis, and  
Wm. F. Spaulding;

(3) Hearing motion of defendant American  
Potash & Chemical (filed 12/6/57) to dismiss;

(4) Hearing motion of defendants (filed 1/3/58)  
for summary judgment;

(5) Further pretrial.

Court makes a statement to plaintiff appearing  
in pro. per.

Plaintiff makes a statement re motion (1) for  
continuance of hearing motion for summary judgment.

Further statements are made by Court and plaintiff.

Court grants defendants' motion (4) for summary judgment.

Counsel for defendants to prepare findings of fact, conclusions of law, and judgment accordingly.

JOHN A. CHILDRESS,

Clerk;

By /s/ MARY O. SMITH,

Deputy Clerk. [182]

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[Title of District Court and Cause.]

### FINDINGS OF FACT AND CONCLUSIONS OF LAW

The motions of defendants American Potash & Chemical Co., Inc., and Stauffer Chemical Company for a summary judgment herein came on regularly for hearing on January 13, 1958, at 2:00 o'clock p.m., in the Courtroom of the Honorable Harry C. Westover, at which time, on plaintiff's motion the hearing thereon was continued over until January 27, 1958, at 2:00 o'clock p.m. in the Courtroom of the Honorable Harry C. Westover. On January 27, 1958, at 2:00 o'clock p.m., the said motions again came on regularly for hearing in the Courtroom of the Honorable Harry C. Westover, at which time, on plaintiff's motion, the hearing thereon was again continued over [183] until February 17, 1958, at 10:00 o'clock a.m., in the Courtroom of the aforesaid Honorable Judge. On February 17, 1958, at 10:00 o'clock a.m., the said motions again came on

regularly for hearing in the Courtroom of the Honorable Harry C. Westover, at which time, on plaintiff's motion, the hearing thereon was again continued over until March 17, 1958, at 10:00 o'clock a.m., in the aforesaid Courtroom of the aforesaid Honorable Judge. Said motions came on regularly for hearing on March 17, 1958, at 10:00 o'clock a.m., in the Courtroom of the Honorable Harry C. Westover, the plaintiff appearing, as on each of the prior dates above mentioned, in propria persona, and the defendant American Potash & Chemical Co., Inc., appearing, as on each of the prior dates mentioned, by its attorneys, Gibson, Dunn & Crutcher and Martin E. Whelan, Jr., and the defendant Stauffer Chemical Company appearing, as on each of the prior dates mentioned above, by its attorney, Fredrik S. Waiss. The Court, having considered all points and authorities, affidavits, written interrogatories and answers thereto, and other papers on file, and relied upon by said motions, and having considered all arguments, now makes the following Findings of Fact and Conclusions of Law, with respect to said motions for summary judgment.

### Findings of Fact

1. There is no genuine issue of fact with respect to the allegations contained in the First Cause of Action, the Second Cause of Action and the Third Cause of Action of plaintiff's complaint herein and more particularly in Paragraphs IV and V of the First Cause of Action and in those same paragraphs

as incorporated by reference in Paragraph I of both the Second Cause of Action and the Third Cause of Action to the effect that the contract or contracts entered into by defendants American Potash & Chemical Co., Inc., and Stauffer Chemical Company as the successor in interest pursuant to merger of all the assets and [184] liabilities of defendant West End Chemical Company (erroneously sued herein as West End Chemical Co., Inc.), respectively, with Pacific Gas & Electric Company were either of them made or entered into as a result of any services or efforts performed by plaintiff, or that the procuring of natural gas service at the plants of defendants, or of either of them, in the area of Tona, California, was in any way the result of or connected with any services or efforts performed by the plaintiff.

2. There is no genuine issue of any material fact as to either the First Cause of Action or the Second Cause of Action or the Third Cause of Action of plaintiff's complaint herein, in that it without contradiction appears from the aforesaid papers on file herein, including affidavits filed in support of the motions for summary judgment as follows:

(a) No services by or efforts of the plaintiff, if any services were performed or efforts made by the plaintiff, contributed to or were in any way connected with the entering into of a contract or contracts by the defendants (as hereinabove delineated in Finding of Fact No. 1) or either of them with Pacific Gas & Electric Company for the furnishing



of natural gas service to the plants of defendants or either of them in the area in and around Trona, California;

(b) No services by or efforts of the plaintiff, if any services were performed or efforts made by the plaintiff, contributed to or were in any way connected with the furnishing of natural gas service by the Pacific Gas & Electric Company to said defendants' plants in or about the area of Trona, California, or to either of said plants.

3. Defendants (as hereinabove delineated in Finding of Fact No. 1) are entitled to a declaration that plaintiff is not entitled to any compensation or relief of any nature whatsoever by reason of the facts alleged in the Second Cause of Action of [185] plaintiff's complaint herein.

4. There is no amendment which plaintiff can make to his complaint herein or to any count therein attempted to be stated whereby he will be able to state a claim entitling him to relief which would not have to rely upon facts contrary to the Findings of Fact hereinabove set forth.

#### Conclusions of Law

1. If there was ever any agreement between the plaintiff and the defendants (as hereinabove delineated in Finding of Fact No. 1) or either of them, as alleged in plaintiff's complaint herein, plaintiff is nonetheless not entitled to any compensation or relief from either of the moving defendants.

2. There is no genuine issue as to any material fact which would raise a triable issue concerning any of the matters heretofore set out in Conclusions of Law No. 1.

3. There is no amendment which plaintiff can make to his complaint herein or to any count therein attempted to be stated whereby he will be able to state a claim entitling him to relief which would not have to rely upon facts contrary to the Findings of Fact hereinabove set forth.

4. Judgment should be rendered for defendants (as hereinabove delineated in Finding of Fact No. 1) and each of them with costs awarded to said defendants and each of them.

Dated: April 8, 1958.

/s/ HARRY C. WESTOVER,  
Judge, United States District Court, Southern District of California, Central Division.

Affidavit of Service by Mail attached.

[Endorsed]: Filed April 9, 1958. [186]

In the United States District Court, Southern  
District of California, Central Division

No. 933-57—HW

W. D. MACKAY,

Plaintiff,

vs.

AMERICAN POTASH & CHEMICAL CO., INC.,  
a Corporation, Et Al.,

Defendants.

### SUMMARY JUDGMENT

Pursuant to the Findings of Fact and the Conclusions of Law signed by this Court, on the date hereinbelow entered on this Judgment,

It Is Hereby Ordered, Adjudged and Decreed as follows:

1. That plaintiff take nothing by reason of his complaint herein as to defendant American Potash & Chemical Co., Inc., a corporation, and that said defendant recover from the plaintiff its costs of suit herein in the sum of \$. . . . .

2. That plaintiff recover nothing on his complaint herein as to defendant Stauffer Chemical Company as the successor in interest pursuant to merger of all the assets and liabilities [188] of defendant West End Chemical Company (erroneously sued herein as West End Chemical Co., Inc.) and that said defendant Stauffer Chemical Company

recover from plaintiff its costs of suit herein in the sum of \$. . . . .

Dated: April 8th, 1958.

/s/ HARRY C. WESTOVER,  
Judge United States District Court, Southern District of California, Central Division.

Affidavit of service by mail attached.

[Endorsed]: Filed and entered April 9, [189] 1958.

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[Title of District Court and Cause.]

#### NOTICE OF ENTRY

Mr. W. D. MacKay,  
111 West 5th Street,  
Los Angeles 13, Calif.

Gibson, Dunn & Crutcher, Esqs.,  
634 South Spring St.,  
Los Angeles 14, Calif.

Vincent H. O'Donnell & Fredrik S. Waiss, Esqs.,  
1820 Mills Tower,  
San Francisco 4, Calif.

Re: MacKay vs. American Potash & Chemical Co., Inc., et al., No. 933-57—HW.

You are hereby notified that summary judgment in the above-entitled case has been entered this day in the docket.

Dated: April 9, 1958.

CLERK,  
U. S. District Court,

By C. A. SIMMONS,  
Deputy Clerk. [191]

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[Title of District Court and Cause.]

NOTICE OF APPEAL

Notice Is Hereby Given that the plaintiff, W. D. MacKay, in propria persona, hereby appeals to the United States Court of Appeals for the Ninth Circuit from the Order and Final Judgment docketed and entered in this action on the 9th day of April, 1958.

Dated: May 7th, 1958.

/s/ W. D. MACKAY,  
In Propria Persona.

Affidavit of service by mail attached.

[Endorsed]: Filed May 7, 1958. [192]

In the United States District Court, Southern  
District of California, Central Division

No. 933-57—HW Civil

W. D. MACKAY,

Plaintiff,

vs.

AMERICAN POTASH & CHEMICAL CO., Et  
Al.,

Defendants.

Honorable Harry C. Westover, Judge Presiding.

REPORTER'S TRANSCRIPT OF  
PROCEEDINGS

Appearances:

For the Plaintiff:

W. D. MACKAY,

In Propria Persona, and

G. H. GOTTLIEB, ESQ.

For the Defendant American Potash and Chem-  
ical Company:

GIBSON, DUNN & CRUTCHER; by  
MARTIN E. WHELAN, JR., ESQ.

For Stauffer Chemical Company:

FREDRIK S. WAISS, ESQ.

\* \* \*

January 27, 1958—2:00 P.M.

The Clerk: No. 933-57—HW Civil, W. D. Mac-  
Kay vs. American Potash and Chemical Company.

Mr. Whelan: Ready for the American Potash.

The Court: Is Mr. MacKay here?

Mr. MacKay: Yes.

The Court: I understand your counsel is going to withdraw from the case or has withdrawn and that you are either going to appear in pro. per. or you are going to have counsel.

Mr. MacKay: I will have counsel, but now we are asking for an extension.

The Court: How much do you want?

Mr. MacKay: In the petition we asked for 45 days.

The Court: I will deny that without going any further. I might give you a week or two. Let me see the log book in this case, will you? When this case came up the first time I read the pleadings and I asked how you were going to avoid the question of the statute of limitations. There has been a defense raised of the statute of limitations, statute of frauds, and also that you were not licensed to do this sort of work. Here are three very special defenses, and if any one of them is good you can't recover. This is a very technical matter. You are going to have to have an attorney. [9\*] From the complaint itself it appears that the statute has run, but I don't know. I will give you a reasonable time to get an attorney, but not 45 days.

Mr. MacKay: It is going to require some little time to explore this thoroughly with the attorney I decide on.

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\*Page numbering appearing at top of page of original Reporter's Transcript of Record.

The Court: You should have explored this before you filed the suit.

Mr. MacKay: There were peculiar circumstances here, your Honor. We have had three attorneys involved in this situation already, but two were employed for a specific purpose with no intent of continuing with the case.

The Court: You better get somebody that is going to continue with this case. I will continue the matter until February 17th.

Mr. Whelan: Your Honor, there is one other thing. There have been some interrogatories on file here. I have no objection to your Honor extending the time to answer them. However, I would like them in several days before the 17th, if an answer is going to be made to them. They have been on file since December 20th.

The Court: Has the plaintiff refused or failed to answer the interrogatories?

Mr. Whelan: I wouldn't want to go so far as to say refused to answer. We had previously advised Mr. Gottlieb [10] we would furnish him with a copy of the deposition taken before this action. I was on vacation following Christmas and accordingly he didn't receive it. I furnished it to him at the last hearing and told him if it was all right with the court, we would grant an extension of time up through last Thursday, I believe.

The Court: The only thing I am interested in now is this question of the statute of limitations, statute of frauds, and also the question as to whether or not he had any license.



Mr. Whelan: There is a motion for summary judgment on file, your Honor, also, which we feel, at least, is worthy of consideration.

The Court: If there are any interrogatories along that line, the plaintiff should answer them.

Mr. Whelan: Your Honor, the motion for summary judgment has been set along with the other matters for the last two or three settings.

The Court: That matter will be continued to February 17th.

Now, Mr. MacKay, if they ask you any questions, you are supposed to answer them.

Mr. MacKay: If it would be of any advantage to either the court or the defendant, we would prepare the interrogatories and have them ready within 10 days, but we [11] prefer to let the whole thing go, whichever is your pleasure.

The Court: You be back here on the 17th at 10:00 o'clock in the morning. I want you to get an attorney and don't come back and say that you haven't got an attorney.

Mr. MacKay: No, we will be here with counsel, your Honor.

Mr. Whelan: Thank you, your Honor.

(Whereupon, an adjournment was taken to February 17, 1958.) [12]

February 17, 1958—10:00 A.M.

The Clerk: No. 933-57—HW Civil, W. D. MacKay vs. American Potash and Chemical Company, et al., for hearing motion of defendant American

Potash and Chemical Company to dismiss, hearing motion of defendants for summary judgment, and further pretrial.

Mr. Whelan: Ready.

Mr. Waiss: Ready.

The Court: Mr. MacKay, when you were here before I ordered you to get an attorney to handle this litigation. You came in last week with a request for a continuance. I am satisfied in my own mind that the cause of action has run on this case, that you are barred by the statute of limitations, and if you go out and get an attorney, the only thing you are getting an attorney for is to help prosecute an appeal from the decision of this court. I think I would be doing you a favor if I dismissed this case today and not cause you to come back here any more.

Mr. MacKay: Of course, you have the authority, I presume, to take what action you see fit, but I am perfectly willing to take the chance and whatever expense I will be put to in prosecuting this case through proper counsel. However, I will say that, unfortunately, the attorney that I hoped to complete an arrangement with was taken ill and it was [13] through absolutely no fault of mine. We had ample time to complete the arrangements, but due to the fact of his illness, as I said, he hasn't had the chance to go over the matter with me. In fact, he hasn't had time to examine the record that is being built up in this proceeding.

As to the other matters you refer to, when the entire matter is spread before you by proper coun-

sel, of course, I will abide by any decision made, and whatever action further I take will depend on the circumstances, but until I have the opportunity of being represented by competent counsel, I think I am entitled to a reasonable further extension. The delays, as you well know, as the record will indicate in this proceeding, have been caused entirely by the defendants in this action. They haven't brought up ordinary problems. They have brought up very complicated legal situations here that will require scrutiny by competent legal counsel. The record discloses from my standpoint when this action was brought, there was nothing to it more or less than a clear-cut simple business transaction. Now they have twisted it through their maneuvers and have made it a very complicated matter and from my standpoint the situation is entirely different now than it was, and I will be a little more careful in the type of attorney I finally choose to represent me than I have been up to this point. Taking all the facts into consideration [14] which are outlined in the petition, which I filed for this next extension, I think I am entitled to a reasonable further extension, by which time I am satisfied we will be here represented by competent counsel and we will proceed from there.

The Court: Mr. MacKay, I don't agree with you that this delay has been caused by the attorneys for the defendant. The attorneys have raised legal defenses which I think are true.

The first time you came in here I asked you how

you were going to get around the statute of limitations. They have raised a number of technical defenses, that is, you didn't have a license, and so forth and so on. I doubt very much if you can establish your cause of action.

However, I find that wherever we have a case in which one of the parties is appearing in pro. per., that immeasurably adds to the work of the court, because the court has to be your attorney to some extent and has to look after you to see that you are not penalized in any way.

Mr. MacKay: I understand that, but we did take into consideration the fact that I have had advice of counsel, of three attorneys, in this proceedings.

The Court: And probably three attorneys have told you you can't recover and you won't take their advice.

Mr. MacKay. No. I don't agree to that, because that isn't true. I am employing an attorney, as I told you [15] before. The three attorneys, with the possible exception of Mr. Gottlieb, and his was more or less contingent, were on a specific basis. They were paid for doing a certain job. There was no intent of prosecuting the action to finality. I appreciate the next attorney I appear with will be handling this case. I don't hold myself out as an attorney. I am not an attorney. My work is in an entirely different line. But I have had legal advice all the way through this proceeding right from the start, and if the technicalities you refer to and that have been brought up by the defendant's counsel

will stand up, well, then, I have been very badly advised by the legal talent that I paid for.

Mr. Whelan: I would like to say that Mr. Waiss and I both oppose any further continuance. The motion to dismiss has been scheduled at least four or five times and it has been put over. It was due to Mr. Gottlieb and not Mr. Waiss or myself.

The Court: That is probably true, but, however, although I am rather doubtful if Mr. MacKay can establish a cause of action here, the Circuit has told me on several occasions I ought to give him the opportunity to try.

Mr. Whelan: May I mention one more thing? Mr. MacKay claims we are raising a technical defense, but I would like to call your attention to the fact that the motion for summary judgment and Mr. MacKay's answers to that establish [16] he has no cause of action. That is hardly technical.

The Court: But if he wants to spend his money going out and hiring competent legal counsel and they come up and try to establish the claim for action, I think he has a right to do it.

Mr. Whelan: I suggest it should take more than this affidavit to establish his diligence.

The Court: I suppose I could deny the motion and dismiss the case. I think probably I would be sustained. But I think I ought to give him one more chance.

How much more time will it take, Mr. MacKay?

Mr. MacKay: Well, I asked for 45 days, but I will have to be satisfied with what you give me. This matter has reached a stage where it has got to

be taken care of and I am just as anxious to take care of this as you are. If they would go ahead and try this case on its merits, I would be tickled pink to go ahead tomorrow, but that is not possible under the present conditions, and I therefore think I am entitled to at least, if not the full 45 days, at least 30 days if possible, and by that time I will agree to be here with competent counsel.

The Court: The record shows, Mr. MacKay, that you came into court 10/7/57, on pretrial. It was then continued to 11/18. That was practically six weeks. Then on the 18th you came in and it was continued to 12/16, another [17] month. Then on 12/16 we have a motion to dismiss and on 12/16 the matter was continued to 1/13. On 1/13 it was continued to 1/27. On 1/27 continued to 2/17. So we have had continuances continuously from 10/7 to 2/17. That is about four months.

Mr. MacKay: Well, part of those were made by the change in counsel, but the greater portion are due to tactics of the defendant's counsel.

The Court: Mr. MacKay, the tactics of the defendants have been legal in every way.

Mr. MacKay: I perfectly understand that point. I am not saying that they are operating outside of their rights, but they are creating complications that have forced me to change my plans and approach to this matter.

The Court: Well, you have to change your plans and approach because you don't understand the rules of law.

Mr. MacKay: I paid quite a lot of money in this

already and I am prepared to pay something additional. I am willing to do that and take that chance up to a point.

The Court: I am going to continue this matter to March 17th and there will not be any more continuances. If you don't show up with counsel by then, I have got this motion to dismiss to decide. I will continue that to March 17th and on March 17th I am either going to grant the motion or deny it so between now and March 17th, you get any competent [18] counsel you want and come back and file your points and authorities so that I will have a chance to look at them.

Mr. MacKay: Thank you.

Mr. Whelan: May I ask that Mr. MacKay be specifically instructed that his attorney should be prepared to argue the motion on that day and not simply come in and ask for a further continuance.

The Court: Mr. MacKay, tell your attorney there will be no more continuances. I am going to rule on that day on the motion to dismiss.

Mr. Waiss: And also the motion for summary judgment.

The Court: Yes.

Mr. Whelan: Mr. Waiss has to come down from San Francisco.

The Court: I understand and it is too bad you have got to come, but you have competent counsel here anyhow, you know.

Mr. Waiss: He is representing primarily another defendant and I would be remiss if I neglected my own client.

The Court: I am sorry to make you make the trip, but it is nice in Southern California. I don't know what the situation is in San Francisco.

Mr. Waiss: It is a pleasure to come down here, although I cannot feel there are really very many issues to [19] be disposed of in this matter.

The Court: We will dispose of the matter on the 17th at 10:00 o'clock in the morning. [20]

March 17, 1958—10:00 A.M.

The Clerk: No. 7, 933-37—HW Civil, W. D. MacKay vs. American Potash and Chemical Company, et al., hearing motion of plaintiff for continuance of hearing motion for summary judgment; hearing motion of plaintiff to strike portions of affidavits of J. H. Gumz, Robert D. Coons, W. M. Jacobs, George C. Ellis, and William F. Spaulding; hearing motion of defendant American Potash & Chemical Company to dismiss; hearing motion of defendants for summary judgment; and further pretrial.

Mr. Whelan: Ready, your Honor.

Mr. Waiss: Ready.

Mr. MacKay: I am here, your Honor.

The Court: Mr. MacKay, will you come forward, please?

Mr. MacKay: Yes, your Honor.

The Court: Mr. MacKay, this matter has been pending in this court since August 2, 1957. On 12/6/57, we had a motion to dismiss. Then on January 23rd we had a motion for summary judgment.



On January 27th there was a substitution of attorneys, and the matter was continued to March 17, 1958.

On March 11th there was a motion made for continuance, and the last time you were here I continued it for the purpose of allowing you to get an attorney. [21]

Now, Mr. MacKay, I have another motion for a continuance.

Mr. MacKay: Well, your Honor, assuming, of course, that you have studied and read the documents that have been filed in reply to the motions of the defendants in this action, I am sure you appreciate the fact that I have employed legal counsel.

The Court: Mr. MacKay, I am satisfied that the papers that have been filed have been prepared by an attorney. I don't think you could have prepared these papers yourself. But the attorney didn't sign his name. You signed your name to these papers.

Not only that, but we have this motion, and we have an attorney who comes down here each time from San Francisco. You did come down from San Francisco?

Mr. Waiss: Yes, your Honor.

Mr. MacKay: It is my understanding, on advice of counsel, that I have the privilege of conducting my negotiations with counsel on a confidential basis between client and counsel and we are taking advantage of that particular situation. As I understand the matter, and on my attorney's advice, the matters before the court at this time are strictly of

a legal nature, and I am perfectly willing that on the documents that have been filed and are now before the court that you pass on the motions that are made by the defendants [22] and now pending before the court.

If, however, you do not agree with the position that I have taken in reply to all of the legal points brought on matters before the court, then I would like a separate ruling on my motion for a further extension for the reasons outlined in the motion which are primarily to enable me to take additional depositions that are absolutely necessary for me to properly defend myself in this action through the nature of the affidavits that are filed by defendants in this action.

The Court: Mr. MacKay, I am going to do one of two things this morning. I am either going to dismiss this action or I am going to give you an extension, but require you to reimburse the defendant for the costs. He has made two trips down here now from San Francisco. I don't know just what attorneys charge nowadays. I suppose they charge around \$200 a day.

Your motions have caused at least two days' visits down here, so if you want a continuance, I will give you a continuance for 30 days provided you pay to the defendants the sum of \$500. Otherwise, the case will be dismissed.

Mr. MacKay: Am I to understand by that you are not ruling, making a definite ruling upon the motions filed that are pending?

The Court: I am dismissing the case because it

appears [23] your case is barred by the statute of limitations, and I don't think there is anything you can do that is going to rectify that.

I think I would have done you a favor if I had dismissed this case several months ago, and I think I am doing you a favor now in dismissing it because you will be precluded from spending additional time and money on a case that you cannot establish. You have got a bad case here. You might have had a good case if you had proceeded promptly, but you didn't proceed promptly.

Mr. MacKay: That, of course, is your prerogative. I have been acting on the advice of counsel, and the position taken by counsel——

The Court: I don't like counsel to practice in this court sub rosa. If counsel wants to come into this court, I will be glad to hear counsel. I don't like the advice of counsel to be given, not knowing who the counsel is.

I will do one of two things, as I said. I will give you a 30-day continuance, provided you reimburse the defendant for the cost of coming down here these two days, or I will dismiss the case.

Mr. MacKay: I wouldn't undertake to incur that obligation. I would prefer to spend that money on an appeal, if that is your ruling. Am I to understand you will not make a special ruling on the motion for extension of time? [24]

The Court: I have a motion for summary judgment. The motion is granted.

Will you prepare the findings of fact and judgment?

Mr. Whelan: They are prepared in a proposed form.

The Court: I am sorry, but you prepare new findings and a new judgment and serve a copy upon Mr. MacKay so that he can know what time to appeal.

Mr. MacKay, you don't know anything about legal procedure.

Mr. MacKay: I am paying very good money for competent counsel.

The Court: An appeal is a very technical thing. You have got to give counsel notice, file your record within a certain specified time, and——

Mr. MacKay: I understand all that.

The Court: If you don't do that, you will be in the same position in the Appellate Court as you are here.

Mr. MacKay: I understand that.

Mr. Whelan: Both the motion to dismiss and the motion for summary judgment are granted?

The Court: No. The motion for summary judgment with findings of fact and conclusions of law. I have granted that motion and you prepare the findings of fact and conclusions of law.

Mr. Whelan: Thank you very much.

[Endorsed]: Filed August 4, 1958.

[Title of District Court and Cause.]

CERTIFICATE BY CLERK

I, John A. Childress, Clerk of the above-entitled Court, hereby certify that the items listed below constitute the transcript of record on appeal to the United States Court of Appeals, for the Ninth Circuit, in the above-entitled matter:

A. The foregoing pages numbered 1 to 195, inclusive, containing the original:

Petition for Removal to the United States District Court with copy Complaint attached, etc.

Notice of Petition and filing Bond for Removal.

Answer of American Potash & Chemical Co.

Answer of Stauffer Chemical Co.

Minute Order of 10/7/57.

Minute Order of 11/18/57.

Motion and Notice of Motion to Dismiss Action, etc.

Points and Authorities in opposition to Motion to Dismiss.

Substitution of Attorneys, filed 12/16/57.

Defendants' Interrogatories.

Minute Order 12/16/57.

Affidavit of Service by mail filed 1/3/58.

Memorandum of points and authorities in support of defendants' motion for summary judgment.

Affidavit of J. H. Gumz in support of motion for summary judgment.

Affidavit of W. M. Jacobs in support of motion for summary judgment.

Affidavit of George C. Ellis in support of motion for summary judgment.

Affidavit of Robert B. Coons in support of motion for summary judgment.

Affidavit of William F. Spalding in support of motion for summary judgment.

Motion for summary judgment, etc.

Proposed form of Findings of Fact and Conclusions of Law

Proposed form of Judgment.

Answering points and authorities in support of motion to dismiss action.

Substitution of Attorneys, filed 1/27/58.

Minute Order 1/13/58.

Affidavit of service by mail filed 1/27/58.

Order extending time.

Affidavit of W. D. MacKay in support of motion for continuance.

Minute Order 1/27/58.

Affidavit of W. D. MacKay in support of motion for continuance, filed 2/17/58.

Plaintiff's answers to defendants' interrogatories

Affidavit of service by mail filed 2/17/58.

Minute Order 2/17/58.

Reply to Defendants' Motion for Summary Judgment.

Points and authorities in opposition to Motion to Dismiss.

Plaintiff's Points and authorities in opposition to motion for summary judgment.

Affidavit of W. D. MacKay in opposition to motion for summary judgment.

Points and authorities in support of motion to strike affidavits.

Motion to strike portions of affidavits of J. H. Gumz, et al.

Motion for continuance of hearing of motion for summary judgment.

Minute Order 3/17/58.

Findings of Fact, Conclusions of Law.

Summary Judgment.

Notice of Appeal.

Designation of contents of Record on Appeal.

B. One volume of Reporter's Official Transcript of Proceedings had On:

Nov. 18, 1957; Dec. 16, 1957; Jan. 27, 1958; Mar. 17, 1958, and Feb. 17, 1958.

I further certify that my fee amounting to \$2.00 for preparing the foregoing record has been paid by appellant.

Dated: August 5, 1958.

[Seal] JOHN A. CHILDRESS,  
Clerk;

By /s/ WM. A. WHITE,  
Deputy Clerk.

[Endorsed]: No. 16135. United States Court of Appeals for the Ninth Circuit. W. D. MacKay, Appellant, vs. American Potash & Chemical Co. Inc., a Corporation, and Stauffer Chemical Company, a Corporation, Appellees. Transcript of Record. Appeal from the United States District Court for the Southern District of California, Central Division.

Filed: August 5, 1958.

Docketed: August 12, 1958.

/s/ PAUL P. O'BRIEN,  
Clerk of the United States Court of Appeals for the  
Ninth Circuit.



United States Court of Appeals for the Ninth  
Circuit

Undocketed

W. D. MacKAY,

Appellant,

vs.

AMERICAN POTASH & CHEMICAL CO., INC.,  
et al.,

Appellees.

STATEMENT OF POINTS ON APPEAL

Now Comes the appellant, W. D. MacKay, in propria persona, and makes the following Statement of Points on Appeal:

1. The Court Below Erred in Granting a Summary Judgment.

A. The Court Erred in Failing to Strike Material Portions of Affidavits in Support of the Motion for Summary Judgment.

B. The Court Erred in Refusing to Grant a Continuance for Further Discovery Procedures.

C. The Court Erred in Law as to the Propriety of a Summary Judgment Under the Facts in the Record.

D. The Findings of Fact and Conclusions of Law Were Contrary to the Few Facts Developed Below.

E. Substantial Material Issues of Fact Were Controverted and Existed and a Summary Judgment Was Improper.

Respectfully Submitted,

/s/ W. D. MacKAY,

In Propria Persona.

Affidavit of service by mail attached.

[Endorsed]: Filed September 8, 1958.





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No. 16135

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

---

W. D. MacKAY,

*Appellant,*

*vs.*

AMERICAN POTASH & CHEMICAL Co., INC., a corporation,  
and STAUFFER CHEMICAL COMPANY, a corporation,

*Appellees.*

---

## APPELLANT'S OPENING BRIEF.

---

### Jurisdiction.

This suit for recovery of damages for breach of a contract for personal services in obtaining natural gas service was commenced by W. D. MacKay, a resident of California, against American Potash & Chemical Company, a Delaware corporation, and West End Chemical Co., Inc., a California corporation in the Superior Court of Los Angeles County. The action was thereafter removed to the United States District Court for the Southern District of California on the petition of American Potash & Chemical Co. [R. 3-15.]

The jurisdiction of this Court rests upon Section 1291 of the Judicial Code as amended. (28 U. S. C., Sec. 1291.)

### Statutes.

The pertinent statutes are Sections 1091 *et seq.* of the California Public Utilities Code and Section 339(1) of the California Code of Civil Procedure.

### Statement of Facts.

The appellant filed his complaint in the Superior Court of Los Angeles on August 2, 1957 seeking declaratory relief and damages for breach of an oral contract whereby the appellees had agreed to pay appellant reasonable compensation for his services in securing natural gas service to appellees' plants located in or near Trona, California. [R. 10.]

It is undisputed that prior to the time appellant claims such oral contract was made, in July, 1952 [R. 11] appellees were using expensive fuel oil as fuel for their plants, at a great increase over the cost of natural gas. This was due to the fact that such plants were distant from any natural gas transmission or distribution system.

It is undisputed that executive representatives of appellees discussed their desire to obtain natural gas with appellant in July, 1952.

It is undisputed that thereafter, on April 11, 1955, appellees made a contract with Pacific Gas & Electric Company for natural gas service, and that thereafter, on July 12, 1955, the Public Utilities Commission of the State of California approved such contract, and granted P. G. & E. a certificate of public convenience and necessity to construct the necessary facilities to serve appellees with natural gas. [R. 12, 16, 17, 24.]

Finally, it is undisputed that on October 1, 1955 American Potash & Chemical Co. *first* received natural gas from P. G. & E. through such facilities [R. 12, 17, 24] and Stauffer Chemical Company (West End Chemical Company's successor) *first* received gas on November 16, 1955.

By their answers, the appellees, of course, deny that such a contract was made, and dispute appellant's alle-



gations that he was instrumental in any way in securing such service. [R. 17, 24.] Each of the appellees pleaded Section 339(1) of the California Code of Civil Procedure as a statute of limitations to appellant's cause of action. [R. 21, 28.]

Thereafter defendant American Potash & Chemical Company made a Motion to Dismiss based on the Statute of Limitations, and a Motion for Summary Judgment. [R. 70.]

Appellant filed the following documents in opposition:

1. Affidavit [R. 97];
2. Motion to Strike portions of Affidavits in Support of Motion for Summary Judgment [R. 100];
3. Motion for Continuance for the Purpose of Further Discovery. [R. 104.]

Following several continuances, the matter came on for hearing on March 17, 1958, whereupon the following contradictory statements were made by Judge Westover who ignored all of appellant's motions [R. 129-130]:

"The Court: I am dismissing the case because it appears your case is barred by the statute of limitations, and I don't think there is anything you can do to rectify that."

\* \* \* \* \*

"I will do one of two things, as I said. I will give you a 30-day continuance, provided you reimburse the defendant for the cost of coming down here these two days, or I will dismiss the case."

\* \* \* \* \*

"The Court: I have a motion for summary judgment. The motion is granted."

\* \* \* \* \*

"Mr. Whelan: Both the motion to dismiss and the motion for summary judgment are granted?"

The Court: No. The motion for summary judgment with findings of fact and conclusions of law."

Thereafter, the judgment appealed from was entered [R. 113], which was in form a summary judgment.

Although appellant must presume that the judgment involved is a summary judgment it is not entirely clear that Judge Westover did what he meant to do. Apparently he intended to grant the motion to dismiss. However, he granted the motion for summary judgment. This uncertainty alone is significant and indicative of the rather arbitrary manner in which the Court ignored appellant's motion for further discovery procedures and refused to rule on appellant's motion to strike the affidavits in support of the motion for summary judgment for violation of the Federal Rules [R. 100, 104] which were before him. Without such affidavits, of course, the motion would fall.

### Questions Presented.

1. Which motion did Judge Westover grant—the motion for summary judgment, or the motion to dismiss;
2. Did the Court err in refusing to strike the hearsay and other defective allegations in the affidavits supporting the motion for summary judgment under Rule 56(e) F. R. C. P.;
3. Construing all documents most favorably to appellant, can it be said that no genuine triable issue of fact remained in the case;
4. Assuming that the judgment was one of dismissal on the ground of the statute of limitations, when did the statute begin to run: (1) When the contract in issue was made; or (2) when it was breached on or after October 1, 1955?

## ARGUMENT.

### A. The Findings of Fact Are Clearly Erroneous, Since Genuine, Triable Issues of Fact Remained.

#### 1. Appellees' Affidavits.

This case was tried on affidavits—and defective affidavits by appellees at that, fairly reeking with hearsay, conclusions, opinions and argumentative statements. Appellant earnestly requests the Court to examine appellees' affidavits (*the only evidence* supporting the findings of fact) [R. 48-51] and decide the merit of appellant's motion to strike them. [R. 100.] Appellant submits that when such affidavits are "trimmed" the findings are clearly without foundation, and clearly erroneous.

#### 2. Appellant's Affidavit.

Following the motion for summary judgment appellant filed his affidavit [R. 97] in opposition. Such affidavit directly and unequivocally presents triable issues of fact determinative of this case. In ignoring such affidavit and granting the motion, the trial court erred.

#### 3. Judged by This Court's Decisions on Summary Judgment, the Proceedings Here Were Defective.

*Gifford v. Travellers Protective Association of America*, 153 F. 2d 209 (C. C. A. 9th, 1946);

*Koepke v. Fontecchio*, 177 F. 2d 125 (C. A. 9th, 1949);

*Suckow Borax Mines Consol. Inc. v. Borax Consol. Ltd.*, 185 F. 2d 196 (C. A. 9th, 1950), *cer. den.* 340 U. S. 946, *reh. den.* 341 U. S. 912;

*City of Anchorage v. Ashley*, 196 F. 2d 809 (C. A. 9th, 1952);

*Hoffman v. Babbitt Bros. Trading Co.*, 203 F. 2d 636 (C. A. 9th, 1953);

*Byrnes v. Mutual Life Ins. Co. of N. Y.*, 217 F. 2d 497 (C. A. 9th, 1954), cer. den. 348 U. S. 971;

*Hycon Mfg. Co. v. H. Koch & Sons*, 219 F. 2d 353 (C. A. 9th, 1955).

In *Albert v. Brownell*, 219 F. 2d 602 (C. A. 9th, 1954), the Court said (p. 605):

“ . . . the finding of one genuine issue of material fact such as this is sufficient to prevent a summary judgment on all issues. . . . ”

Even if full credence were given to appellees' defective affidavits, genuine issues of fact would still remain as to the existence of a contract, whether appellant obtained or aided in obtaining the gas service, etc. The question on such a motion is not *how* an issue should be decided—but whether there is an issue. Judge Westover's view of the merits blinded him to the mandatory substantive requirements.

**B. The Statute of Limitations Did Not Begin to Run Until Natural Gas Service Commenced in October and November, 1955 and Appellees Refused to Pay Appellant. This Action, Filed August 2, 1957 Was Thus Not Barred by the Two Year Statute.**

Although it seems that the Court did not dismiss on the statute of limitations issue, appellant desires to point out that appellees admit that gas service did not begin until October 1, 1955. [R. 16, 17, 24.] Thus, the alleged contract could not be breached by appellees until their refusal to pay appellant following such commencement of service, and the two year statute could not run until such date.

*Richardson v. Craig*, 11 Cal. 2d 131 (1938);

*Thompson v. Orena*, 134 Cal. 26 (1901);

*Pitzer v. Wedel*, 73 Cal. App. 2d 86 (1946);  
*Hay v. Casey*, 30 Cal. App. 570 (1916);  
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(1948);  
*Baker v. Joseph*, 16 Cal. 173 (1860);  
*Irvine v. Bossen*, 25 Cal. 2d 652, 155 P. 2d 9  
(1944).

This is true because regardless of the execution of the P. G. & E. contract, the breach could not occur until gas service began following Commission approval, and refusal to pay was made by appellees. Appellant's action was timely filed.

**C. The Trial Court's Refusal to Rule on Appellant's Motion to Strike Appellees' Affidavits and Appellant's Motion for Continuance to Exhaust Discovery Was an Abuse of Discretion.**

Under the circumstances (Motion for Summary Judgment) the Court's flat refusal to rule on appellant's motions [R. 128-129] was a flagrant abuse of discretion and cannot be justified. Appellant was denied due process of law under the California and United States Constitutions.

**D. Conclusion.**

Wherefore, appellant prays the judgment be reversed.

Respectfully submitted,

W. D. MacKAY,

*In Propria Persona.*



No. 16135

IN THE

**United States Court of Appeals**  
FOR THE NINTH CIRCUIT

---

W. D. MacKAY,

*Appellant,*

*vs.*

AMERICAN POTASH & CHEMICAL Co., Inc., a corporation,  
and STAUFFER CHEMICAL COMPANY, a corporation,

*Appellees.*

---

Answering Brief of Appellee American Potash &  
Chemical Co., Inc.

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GIBSON, DUNN & CRUTCHER,  
MARTIN E. WHELAN, JR.,

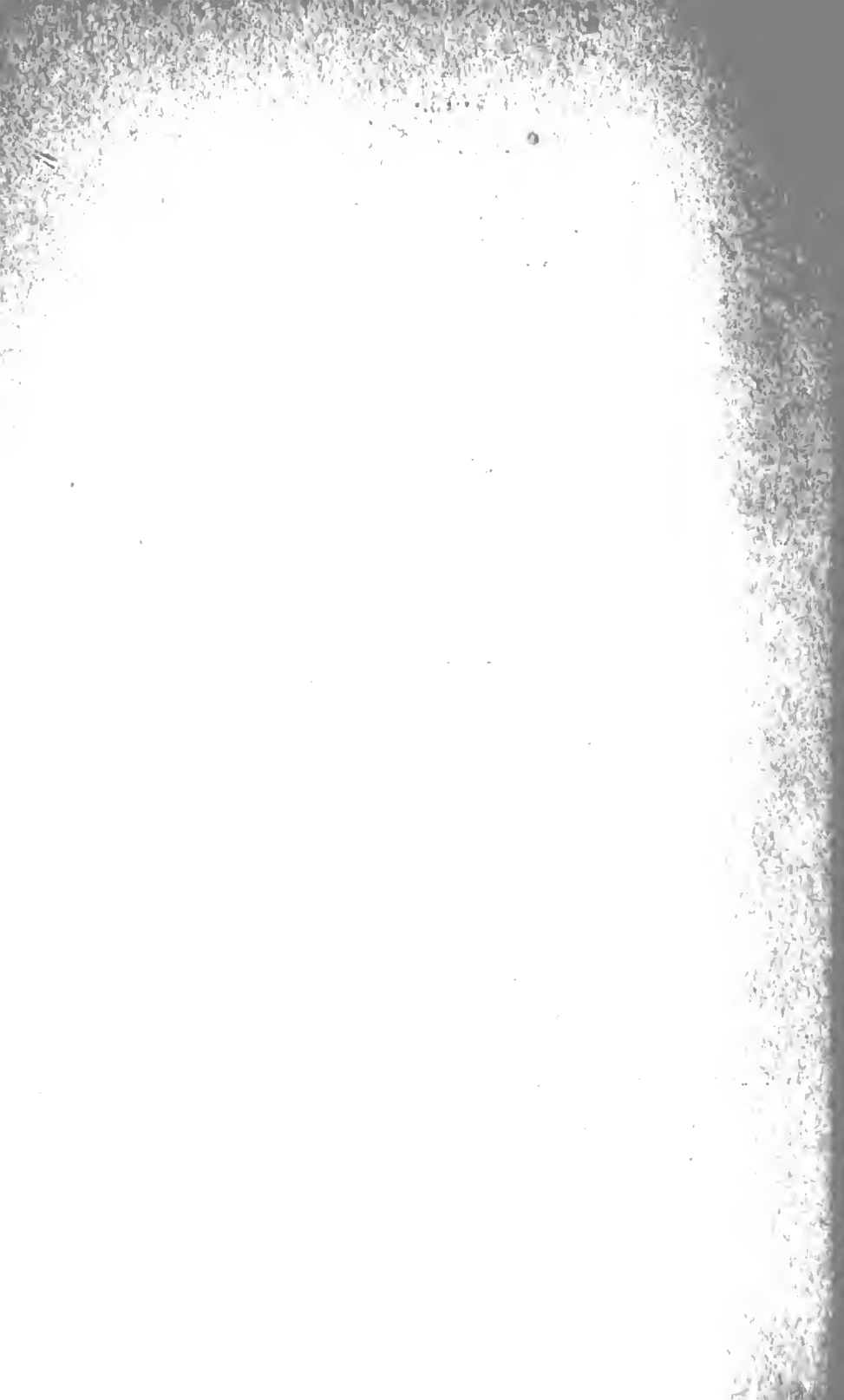
634 South Spring Street,  
Los Angeles 14, California,

*Attorneys for Respondent American  
Potash & Chemical Co., Inc.*

**FILED**

APR - 9 1959

PAUL P. O'BRIEN, CLERK





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No. 16135

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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W. D. MacKAY,

*Appellant,*

*vs.*

AMERICAN POTASH & CHEMICAL CO., INC., a corporation,  
and STAUFFER CHEMICAL COMPANY, a corporation,

*Appellees.*

---

Answering Brief of Appellee American Potash &  
Chemical Co., Inc.

---

## Jurisdiction.

Because the appellant's Statement of Jurisdiction in his Opening Brief does not show the basis for the jurisdiction of the Trial Court, and indeed would purport to negate that jurisdiction, it is felt necessary for the assistance of the court to set forth the basis of jurisdiction in this matter.

The action was commenced in the Superior Court of the State of California, in and for the County of Los Angeles, and was timely removed to the United States District Court, Southern District of California [R. 3-14]. The Petition for Removal, together with the Complaint, demonstrated:

(1) The only real defendants as of the date of commencement of the action were American Potash & Chemical Co., Inc. (hereinafter referred to as "Potash") and Stauffer Chemical Company (hereinafter referred to as "Stauffer"), both citizens and residents of the State of Delaware. West End Chemical Co., named in the Complaint as a defendant, was merged into Stauffer Chemical Company prior to the commencement of this action and Stauffer succeeded to all of its assets and liabilities;

(2) Plaintiff was at the time a citizen and resident of the State of California;

(3) The Complaint prayed for damages in excess of Three Thousand Dollars [R. 3-14]. The United States District Court accordingly had jurisdiction under Title 28 U. S. C., Sections 1332 and 1441.

The jurisdiction of this court is derived from Title 28 U. S. C., Section 1291.

### **Statement of the Case.**

#### **A. Sequence of Events.**

This action was commenced in the state Superior Court on or about July 10, 1957 [R. 4]. It was removed to the United States District Court, Southern District of California on August 2, 1957 [R. 3-10]. Thereafter Answers were filed by Potash and Stauffer and certain pre-trial proceedings were had [R. 15-28, 29, 30, 38, 78, 81, 96, 107, 116-130].

On January 3, 1958 Motion for Summary Judgment and Notice of Motion were filed on behalf of both defendants herein [R. 70-73], along with proposed Findings of Fact and Conclusions of Law and Proposed Judgment [R. 74-77].

Previously thereto, on December 20, 1957, Interrogatories had been served by defendants on plaintiff and filed [R. 31-38]. The Motion for Summary Judgment specifically stated that it relied upon the Answers to be filed to those Interrogatories, as well as the Affidavits of Robert B. Coons, George Ellis, J. H. Gunz, W. M. Jacobs and William Spalding, all filed with said Motion for Summary Judgment [R. 72, 48, 47, 39, 44, 51]. Plaintiff's Answers to defendants' Interrogatories were filed on February 17, 1958 [R. 83-96]. Defendants anticipated the nature of those Answers, because of the results of plaintiff's deposition previously taken in perpetuation proceedings in the state court after plaintiff had instituted his own perpetuation proceedings.

The Motion for Summary Judgment was noticed for January 13, 1958 [R. 73]. As of December 16, 1957, Attorney Gerald H. Gottlieb was substituted in the place of plaintiff, who was *In Pro. Per.* until that time. On January 13, 1958, the hearing on the Summary Judgment Motion was continued, at the request of plaintiff's counsel to January 27, 1958 [R. 78]. As of January 27, 1958, Mr. Gottlieb withdrew from the case and plaintiff was substituted again *In Pro. Per.* on the record [R. 77]. On Motion of plaintiff, the hearing was continued on January 27, 1958, to February 17, 1958 [R. 78-81], to permit plaintiff to obtain counsel [R. 117-118].

On February 17, 1958, plaintiff again requested a continuance because he wished to retain counsel, had been unsuccessful in procuring counsel, and wished to have time to institute any discovery proceedings deemed necessary to oppose the Motion for Summary Judgment [R. 82-83]. The hearing on the Motion was thereupon continued to

March 17, 1958 [R. 96-97]. At that time the following colloquy occurred:

“The Court: The record shows, Mr. MacKay, that you came into court 10/7/57, on pretrial. It was then continued to 11/18. That was practically six weeks. Then on the 18th you came in and it was continued to 12/16, another [17] month. Then on 12/16 we have a motion to dismiss and on 12/16 the matter was continued to 1/13. On 1/13 it was continued to 1/27. On 1/27 continued to 2/17. So we have had continuances continuously from 10/7 to 2/17. That is about four months.

“The Court: I am going to continue this matter to March 17th and there will not be any more continuances.

“Mr. Whelan: May I ask that Mr. MacKay be specifically instructed that his attorney should be prepared to argue the motion on that day and not simply come in and ask for a further continuance.

“The Court: Mr. MacKay, tell your attorney there will be no more continuances. I am going to rule on that day on the motion to dismiss.

“Mr. Waiss: And also the motion for summary judgment.

“The Court: Yes” [R. 124-125].

On March 11, 1958, plaintiff filed his affidavit in opposition to the Motion for Summary Judgment, a motion to strike portions of the affidavits filed in support of the Motion for Summary Judgment, and a motion for further continuance. On March 17, 1958, the Motion for Summary Judgment was granted [R. 107-108]. Plaintiff had taken no steps to institute discovery proceedings. Findings of Fact and Conclusions of Law and Summary Judgment were served, signed and filed [R. 108-114].

While plaintiff on the record was acting *In Pro. Per.* some of the time, he in reality was represented by counsel advising him behind the scenes at all significant times [R. 122, 127]. As plaintiff himself stated at the hearing of February 17, 1958:

“\* \* \* I have had advice of counsel, of three attorneys, in the proceedings.

“\* \* \* I have had legal advice all the way through this proceeding right from the start \* \* \*” [R. 122].

And at the hearing on March 17, 1958, at which the Court ordered Summary Judgment, plaintiff stated:

“\* \* \* Well, Your Honor, assuming, of course, that you have studied and read the documents that have been filed in reply to the motions of the defendants in this action, I am sure you appreciate the fact that I have employed legal counsel” [R. 127].

#### **B. The Basis for the Motion for Summary Judgment.**

In his Complaint, plaintiff alleged:

(1) That plaintiff and defendants mutually agreed that plaintiff should serve the defendants in securing natural gas service for their plants in the area of Trona, California, and that plaintiff be compensated in a reasonable amount, “if the plaintiff secured said natural gas service”;

(2) “As a result of plaintiff’s services and efforts,” defendants procured such natural gas service; and

(3) Plaintiff’s alleged entitlement to remuneration. Defendants’ Answers denied the existence of any such agreement with plaintiff and denied that natural gas service was procured through plaintiff’s services or efforts, although admitting, of course, that they did obtain natural gas service [R. 15-29].

Although defendants knew that there was no such agreement, obviously a Motion for Summary Judgment would fail on this ground since plaintiff was relying on asserted oral conversations. However, plaintiff's deposition in the previous perpetuation of testimony proceeding in the state court demonstrated that there was no connection between anything he assertedly did and the obtaining of natural gas service by defendants. The Motion for Summary Judgment was predicated on this ground only.

Plaintiff, in his Brief, has tried to cast doubt on whether the Trial Court actually granted the Motion for Summary Judgment, or a Motion to Dismiss, also pending. This attempt of plaintiff, in view of the Trial Court's specific ruling [R. 107-108], and the written findings, conclusions and summary judgment [R. 108-114] demonstrates plaintiff's own feeling of distress on this appeal. The Motion to Dismiss was not ruled on by the Trial Court, and there is no statute of limitations question before this Court.

Plaintiff's consciousness of distress is further revealed by this erroneous statement at page 5 of his Brief:

“\* \* \* Appellant earnestly requests the Court to examine appellees' affidavits (*the only evidence supporting the findings of fact*) \* \* \*.”

What plaintiff *at any stage* fails to *mention*, much less discuss, are his Answers to Written Interrogatories, which *alone* completely establish the lack of any connection with anything he did, if anything was done by him, and the obtaining of natural gas service by defendants for their Trona plants [R. 83-96].

There are certain other inaccuracies in plaintiff's Statement of Facts which will not be dwelled upon because not material to this appeal.



### Summary of the Argument.

(a) There is no triable issue of fact in that the supporting papers filed with the Motion for Summary Judgment conclusively show that there is no evidence, and that plaintiff has none, establishing a connection between what he claims to have done and the eventual obtaining of natural gas service by the defendants. Plaintiff's Answers to Written Interrogatories propounded to him alone show conclusively that there is no such connection, and that he has no evidence thereof.

(b) Plaintiff's attack on defendants' affidavits is of no consequence. Clearly the portion of the affidavit of William F. Spalding quoting plaintiff's testimony in perpetuation of testimony proceedings is proper. The remaining affidavits merely confirm what the plaintiff himself has admitted in his Answers to the Written Interrogatories.

(c) Plaintiff cannot complain that the Trial Court did not give him every opportunity to institute discovery proceedings. On the contrary, he had numerous such opportunities, failed to even institute any, and refused an offer of the court at the time of the hearing whereat the Motion for Summary Judgment was granted.

## Argument.

### A. No Triable Issue Remains.

Considering the Motion for Summary Judgment in connection only with plaintiff's Answers to Written Interrogatories, the propriety of the Summary Judgment is established. Plaintiff's testimony in the perpetuation of testimony proceedings in the state court quoted in part in the Affidavit of William F. Spalding, conclusively demonstrates the propriety thereof. The remaining affidavits are confirmatory that plaintiff did nothing having any causative connection with the procurement of natural gas service.

From plaintiff's Complaint, previously paraphrased and quoted, it is clear that he was to obtain no compensation unless he was the procuring cause of defendants obtaining natural gas service [R. 10-14].

Assuming for the sake of argument that there was any agreement with plaintiff, it is clear from his testimony in the state court perpetuation proceedings that he had no broader understanding of his alleged rights. This testimony is quoted in the Affidavit of William F. Spalding [R. 69]:

"Q. Do I understand, then, that you told Mr. Minister that whether or not you would get any compensation would depend on whether or not you obtained gas for Trona? A. Absolutely I told him. we discussed the fact that I was willing to take that risk; that if we failed I would simply be out and that was all there was to it.

Q. If you got gas you would expect compensation; but if you did not get gas you would not expect compensation? A. That is absolutely correct."

That an agent who is hired to procure a specified result is entitled to compensation only if he procures that result is well established by the authorities:

*Fitzpatrick v. Underwood* (1941), 17 Cal. 2d 722, 733, 734;

*Hill v. Knight* (1930), 209 Cal. 14;

*Roth v. Thomson* (1919), 40 Cal. App. 208, 215;

American Law Institute, Restatement of Agency, Sec. 448;

Compensation; Agent as Effective Cause, Sec. 448.

“An agent whose compensation is conditional upon his accomplishment of a specified result is entitled to the agreed compensation if, and only if, he is the effective cause of accomplishing the result.”

Restatement of Agency, Sec. 448.

In the Answer to the Interrogatories directed to plaintiff, he stated in substance as follows:

(1) At no time on or before April 11, 1955 (the date of the agreements with Pacific Gas & Electric Company whereby defendants obtained natural gas service), or between April 11, 1955 and October 1, 1955 (the date of approval of said agreements by the California Public Utilities Commission) did plaintiff have any contact of *any kind* with any one connected with Pacific Gas & Electric Company *in any way* relating to the furnishing of natural gas service to the area of Trona, California, or to any plant of either defendant in that area [R. 84-85];

(2) With the exceptions hereafter noted, plaintiff neither knows of, *nor has any information* that any one other than officers or full time employees of Potash, Stauffer (then West End Chemical Company) and Pacific

Gas & Electric Company had anything to do with interesting the latter in furnishing natural gas service to either the general area of and around Trona or to either of defendants' plants. The exceptions were Mr. Minister and Mr. Alliman, both Navy representatives interested in procuring natural gas service for Navy facilities in the area [R. 86-92]. According to the Answers to the Interrogatories, their efforts commenced before plaintiff's alleged agreement with defendants [R. 86-91];

(3) Plaintiff neither participated in the hearings of the California Public Utilities Commission, pursuant to which defendants' agreements with Pacific Gas & Electric Company were approved, nor does he recall any communication with any one connected with the Public Utilities Commission with reference to the furnishing of natural gas to the Trona area, or to defendants' plants. If he had any such communication it had no relationship to attempting to obtain Public Utilities Commission approval [R. 92-95].

That Answers to the Written Interrogatories are a proper basis for awarding Summary Judgment is, of course, clear:

*American Airlines v. Ulen* (D. C. Cir., 1949), 186 F. 2d 529, 531-532;

*Munoz v. Merchant's Nat. Bank of Allentown* (D. E. D. Pa., 1943), 49 Fed. Supp. 588, 589-591;

6 *Moore's Federal Practice*, Sec. 5611 [5], pp. 2078-2080, and cases cited.

We take no quarrel with the rule that a Summary Judgment can only be granted where there is no material issue of fact, and that the function of such a proceeding is not

to determine how that issue should be decided. We likewise take no quarrel with the rule that the general test is whether under the various papers presented, the moving party would be entitled to a directed verdict. These rules are amply demonstrated by the plaintiff by the cases cited at pages 5 and 6 of his Opening Brief. We would be remiss if we did not point out that 6 of the 7 cases so cited affirmed the granting of summary judgments. We would likewise be remiss if we did not point out that those cases also stand for the proposition that a defendant is entitled to summary judgment if there is no triable issue as to some one issue on which the plaintiff must prevail if he is to establish a cause, although there are triable issues of fact as to other elements of the cause of action. Thus, assuming for the sake of argument that plaintiff could establish some sort of a contract with defendants, defendants would be entitled to a directed verdict if plaintiff were unable to show any connection between anything he assertedly did and the eventual obtaining of natural gas service by defendants. The case which plaintiff purportedly cites to the contrary at page 6 of his Brief (*Albert v. Brownell* (9th Cir., 1954), 219 F. 2d 602) was one wherein Summary Judgment could not be obtained because there was a triable issue concerning whether the District Court had any jurisdiction. Obviously, where there is such an issue a Summary Judgment could not be granted.

We shall hereafter show that in neither the plaintiff's pleading nor in his affidavit in opposition to the Motion for Summary Judgment does he raise any triable issue of fact concerning any relationship between any of his alleged services and the obtaining of natural gas service by either defendant. It is clear from the Answers to the In-

terrogatories that he has neither evidence nor information upon which he could carry the case to the trier of fact in the event of a trial as to this issue. As stated in *Munoz v. Merchants Nat. Bank of Allentown* (D. E. D. Pa., 1943), 49 Fed. Supp. 588, wherein plaintiff's Answers to his Interrogatories demonstrated that he had no evidence on an essential issue of his Complaint:

“\* \* \* when specific answers to interrogatories refute broad general allegations of a complaint, the former paint the picture which the court should view in disposing of a motion for summary judgment. \* \* \*” (p. 590).

“\* \* \* unless plaintiff really has knowledge of some facts or information which supports her broad allegations, a trial is not warranted. Her answers to the interrogatories disclose that she has no such knowledge. Under all the pleadings, including the answers to the interrogatories, there appear to be no genuine issues as to material facts” (590-591).

Likewise, in this case plaintiff has no possible evidence upon which to proceed to trial on an essential issue which he must sustain before he can have any recovery. The action was removed to the Federal Court in early August of 1957. Plaintiff, according to his own statement, had legal advice all the time, yet he commenced no discovery proceedings at any time. The Motion for Summary Judgment was filed on January 3, 1958, as before stated, and numerous continuances were had until March 17, 1958. Despite the fact that the last continuance obtained had been requested partially for the purpose of commencing any necessary discovery [R. 83], and despite the fact that plaintiff was there warned by the court that no further continuances would be given [R. 125],

nonetheless, at the hearing on March 17, the Trial Court offered the plaintiff a further continuance for the purpose of commencing discovery on condition that he pay to defendant Stauffer the sum of \$500.00. This condition was imposed because of the expense occasioned to that defendant by reason of the numerous trips from San Francisco required of its attorney by the constant continuances requested by and on behalf of plaintiff [R. 128-129]. Plaintiff refused to avail himself of this offer, just as he had refused to avail himself of the long time interval which he had to commence discovery. This time interval is in stark contrast and contradiction to plaintiff's assertion in his affidavit in opposition to Motion for Summary Judgment that he had not yet taken depositions of persons whose affidavits were submitted in support of the motion since he had no reason to believe that they would state what they averred [R. 99]. This despite the fact that these affidavits in support of the motion had been on file since January 3, 1958, and plaintiff's said affidavit was filed on March 11, 1958.

It appears clear in considering the Answers to the Interrogatories and the plaintiff's unused opportunities for discovery, that he has no hope of producing any evidence on the essential issue of his case which was attacked by the Motion for Summary Judgment. As stated in the cases, a party may not avoid Summary Judgment on the ground that if he is allowed to go to trial he may somehow produce a triable issue of fact. See:

*Radio City Music Hall Corp. v. United States* (2d Cir. 1943), 135 F. 2d 715, 718;

*Garcia v. United States* (U. S. Ct. of Claims, 1952), 108 Fed. Supp. 608, 613.

As stated in 6 *Moore's Federal Practice*, paragraph 56.15[3], page 2129:

"Nor is an opposing party, who has no countervailing evidence and who cannot show that any will be available at the trial, entitled to a denial of the motion for summary judgment on the basis of a hope that such evidence will develop at the trial."

Before turning to the affidavit of plaintiff in opposition to the motion for summary judgment—the only such affidavit filed on his behalf—we wish to point out several legal rules applicable to summary judgment motions:

General allegations in a pleading which do not set forth facts in detail and with precision are insufficient to prevent the award of summary judgment.

*Suckow Borax Mines Consol. v. Borax Consolidated* (9th Cir., 1950), 185 F. 2d 196, 205, cert. den. 340 U. S. 946, reh. den. 341 U. S. 912;

*Lindsey v. Leavy* (9th Cir. 1945), 149 F. 2d 899, 902.

Similarly, affidavits in opposition to a Motion for Summary Judgment must comply with Rule 56(e) of the Federal Rules of Civil Procedure. Accordingly mere denials or conclusions do not raise triable issues of fact.

*Suckow Borax Mines Consol. v. Borax Consolidated*, *supra*, p. 206;

*Piantadosi v. Loew's, Inc.* (9th Cir. 1943), 137 F. 2d 534, 536;

*Engl v. Aetna Life Ins. Co.* (2d Cir. 1943), 139 F. 2d 469, 472-473 (and numerous cases cited therein).

Plaintiff's Complaint consists only of a general allegation that defendants procured natural gas service, "\* \* \*



as a result of plaintiff's services and efforts" [R. 12], obviously a conclusionary allegation and not one of evidentiary facts within Rule 56(e) and the above cases. His affidavit in opposition to the Motion for Summary Judgment [R. 97-99]—the only one filed in opposition—is equally insufficient. Therein, plaintiff states:

"That to the best of his knowledge and belief, he induced, effected and set in motion the chain of events that directly and proximately culminated in the contract between PG&E and defendants."

Not only does this assertion have the same conclusionary failing, and fail to state any evidentiary facts, but on its face it contradicts the specific lack of any knowledge or information revealed by plaintiff's Answers to the Written Interrogatories, and is obviously sham.

Plaintiff's affidavit states: "That he demonstrated the feasibility and desirability of gas service to the subject defendants, to the representatives of the Southern California Gas Company in the fall of 1952" [R. 98]. Apart from its conclusionary nature, in that plaintiff does not describe what he did or what he said, defendants procured their natural gas service from PG&E in 1955, and not from Southern California Gas Company.

Plaintiff's affidavit further states that, "to the best of his knowledge and belief PG&E had never been interested in servicing the defendants," [R. 98]. Apart from the immateriality of this assertion, plaintiff's Answers to the Interrogatories demonstrate that his "best knowledge and belief" in this matter is none at all, since he never talked to any one from PG&E on the subject [R. 83-96].

The further assertion in his affidavit that plaintiff offered to contact PG&E personnel, but that representa-

tives of defendants and "the Pacific Lighting Group" [Southern California Gas Company] said they would do this obviously shows no activity on plaintiff's part leading to the furnishing of natural gas service, but demonstrates the contrary. And it was admitted by plaintiff that his alleged agreement with defendants was not exclusive of their right to seek to obtain gas service for themselves. As stated by plaintiff in the perpetuation of testimony proceedings in the state court:

"A. I want to put that in the record to make it a matter of record that I am giving Mr. Norman Sutherland's name, who is now president of the PG&E Company and the man who signed the contract later, so if they want to make an investigation as to whether or not Mr. Coons was doing some work on the side on this deal unbekownst to me, that that is a fact.

Q. You think Mr. Coons wasn't supposed to be doing anything? A. I didn't deny him that right but I was led to believe all the time that I was handling this situation, [115] *but that was not exclusive. There would be no objection on my part, anything he wanted to do \* \* \**" [Affidavit of William F. Spalding, R. 69-70]. (Emphasis added.)

At the time of the hearing of the Motion for Summary Judgment plaintiff for some reason which was never explained objected to the quoting of his testimony in the prior state court perpetuation proceedings. We are unable to see how one may object to the use of his transcribed admissions when he does not deign to contradict them and, when they are filed in an affidavit. Plaintiff stated that the Motion for Summary Judgment did not specify that it would rely on this material. To the contrary, it specified that it would rely on the affidavits filed concurrently

therewith and the Affidavit of Mr. Spalding, containing the extracts of plaintiff's testimony so quoted, was filed therewith [R. 70]. The remaining affidavits filed in support of the Motion for Summary Judgment [R. 39, 44, 47, 48] fully confirm what plaintiff himself admits in his Answers to his interrogatories—that he has no evidence, nor does he know of any which he can obtain on an essential issue to his case.

**B. Plaintiff's Attack on Defendants' Affidavits.**

One of the issues presented by plaintiff is the sufficiency of the affidavits offered in support of the Motion for Summary Judgment. As above stated, the Summary Judgment is completely and fully supported by plaintiff's Answers to the Written Interrogatories served on him, and in any event by such Answers in connection with his own testimony, quoted in the Affidavit of William F. Spalding, given in the proceedings to perpetuate plaintiff's testimony in the state court. As above stated, what possible objection plaintiff can have to the use of his own admissions taken by a court reporter and filed in this action in affidavit form, is difficult to understand where he has not even sought to deny or qualify such testimony. Since the remaining affidavits are merely confirmatory that PG&E did not furnish natural gas service to defendants because of any alleged services of plaintiff, we think it unnecessary to expand this Brief by treating specifically with those affidavits individually and plaintiff's objections thereto.

**C. Plaintiff Had Every Opportunity to Exhaust Discovery and Refused a Valid Conditional Offer of the Trial Court for Even Further Time.**

We have heretofore set out the time sequence involved which shows that plaintiff had some eight months in which to commence any discovery which he was going to commence. We are speaking of the period from the removal of the action to the granting of the Summary Judgment. The Motion for Summary Judgment and the supporting affidavits were filed on January 3, 1958, which gave the plaintiff approximately two and one-half months in which to at least show some good faith effort in instituting discovery, if any were to be instituted. The record shows that on January 27, 1958, plaintiff made a Motion for Continuance of the hearing scheduled for that date, one of the grounds being to permit time to exhaust proper discovery procedures [R. 79-80]. The continuance was given until February 17, 1958 [R. 78-79, 81]. The record also shows that on the 13th day of February 1958, plaintiff filed an affidavit in support of a Motion for Further Continuance, again stating as one of the grounds the exhaustion of any necessary discovery procedures prior to the hearing of the Motion for Summary Judgment [R. 82-83]. The Court gave a further continuance until March 17, 1958 [R. 96-97], at the same time fully warning the plaintiff that it intended to rule on the motions before the court on March 17 [R. 125]. Nevertheless, plaintiff never noticed any depositions, and on March 11, 1958 filed a Motion for Continuance of the hearing of the Motion for Summary Judgment, stating that he desired to take the depositions of certain persons [R. 104-106]. In his affidavit in opposition to the Motion for Summary Judgment filed on the same date [R. 97-99] plaintiff had the audacity to state that he had not yet taken the depo-

sitions of Messrs. Jacobs and Gumz because he had no reason to believe that they would make the statements which they had made in their affidavits filed in support of the Motion for Summary Judgment. This despite the fact that such affidavits had been on file since January 3 of the same year. At the hearing the court offered, as above stated, to grant the requested continuance, provided the plaintiff pay to defendant Stauffer the sum of \$500.00 to reimburse it for the necessary trips of its counsel from San Francisco occasioned by plaintiff's numerous requested continuances [R. 128-129]. The plaintiff stated, "I would prefer to spend that money on an appeal . . . ." [R. 129]. Certainly, in view of this record, plaintiff cannot claim now any abuse of discretion.

### Conclusion.

The foregoing conclusively demonstrates that plaintiff neither has, nor is informed of, any possible evidence which he might introduce on an essential factor of his case—he does not have any connecting link between what he asserts he did and the fact that the defendants procured natural gas service for their plants in the Trona, California area. Plaintiff's Answers to Interrogatories show that he could not even make out a *prima facie* case if a trial were to be had. As stated in *Orvis v. Brickman* (D. D. C., 1951), 95 Fed. Supp. 605, wherein the court granted Summary Judgment to the defendant which was affirmed in 196 F. 2d 762:

"All the plaintiff has in this case is the hope that on cross-examination \* \* \* the defendants Sweeney and Gilbert will contradict their respective affidavits. This is purely speculative, and to permit trial on such basis would nullify the purpose of Rule 56 \* \* \*"

*Orvis v. Brickman*, 95 Fed. Supp. 605, 607.

In this case all the plaintiff has is the hope that somehow if he is allowed to go to trial, he will somehow be able to produce some evidence that something he may have done may have had some connection with the procurement of natural gas service.

It is respectfully submitted that if Rule 56 is to have any effect, and if defendants are not to be forced through costly and prolonged litigation where the plaintiff has nothing more than hopeful speculation, that the judgment of the Trial Court should be affirmed.

All of which is respectfully submitted.

GIBSON, DUNN & CRUTCHER,

MARTIN E. WHELAN, JR.,

By MARTIN E. WHELAN, JR.,

*Attorneys for Respondent American  
Potash & Chemical Co., Inc.*

No. 16,135

In the

United States Court of Appeals

*For the Ninth Circuit*

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W. D. MacKAY,

*Appellant,*

vs.

AMERICAN POTASH & CHEMICAL Co., INC.,  
a corporation, and STAUFFER CHEMICAL  
COMPANY, a corporation,

*Appellees.*

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**Appellee Stauffer Chemical Company's  
Answering Brief**

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---

**Appellee Stauffer Chemical Company's**  
**Answering Brief**

---

**JURISDICTION**

The answering brief of American Potash sets forth the basis for federal jurisdiction. That statement is incorporated by reference herein.

**STATEMENT OF THE CASE**

This action was one alleging the making of an oral contract between appellant and American Potash and Chemical Co., hereinafter referred to as "American Potash",

and West End Chemical Company (since merged into appellee, Stauffer Chemical Company, hereinafter referred to as "Stauffer"), under which appellant was to serve the defendants in securing natural gas service to defendants' plants in the vicinity of Trona, California. Appellant alleges that the contract provided that he be compensated in a reasonable amount to be agreed on if he secured said natural gas service for the defendants (R11). Appellant further alleges that as a result of his services, defendants made a contract for such natural gas service with Pacific Gas & Electric Company on April 11, 1955 and that defendants have been receiving natural gas under that contract since October 1, 1955 (R12).

The complaint is in three counts. The first is for reasonable compensation for such alleged services in the amount of \$250,000; the second count is for declaratory relief based on the same facts; and the third count, also based on the same facts, seeks \$250,000 for the alleged services on a common count (R10-14).

Defendants obtained the removal of the action to the United States District Court for the Southern District of California (R3-10) and thereafter filed answers denying the making of any contract with appellant or the performance of any services for either of the defendants. Defendants admitted the making of contracts for the supplying of natural gas service with Pacific Gas & Electric Company but denied that appellant had any role in the obtaining of that contract or otherwise (R15-29).

Following pre-trial procedures, motions for summary judgment were filed by both defendants along with proposed findings of fact and conclusions of law and a proposed form of judgment (R70-77). The motions for summary judgment were based on the answers to be given by appellant to the written interrogatories which had been

previously served on him and the affidavits of Robert B. Coons, George C. Ellis, J. H. Gumz, W. M. Jacobs, and William F. Spalding.

Following several continuances granted at the request of appellant, defendants' motions for summary judgment were granted and this appeal has been taken.

### CHRONOLOGY

A brief statement of the chronology may be helpful.

Action filed in State Court, July 10, 1957.

Removed to United States District Court, August 2, 1957.

Answer filed by American Potash, Aug. 7, 1957.

Answer filed by Stauffer, Aug. 26, 1957.

Pre-Trial conference ordered by Court for Oct. 7, 1957.

At the Oct. 7, 1957 hearing a continuance to Nov. 18, 1957 was granted at the request of appellant (R29).

At the Nov. 18, 1957 hearing a continuance to Dec. 16, 1957 was granted at the request of appellant (R30).

Motion to dismiss filed by American Potash Dec. 6, 1957.

At the Dec. 16, 1957 hearing the substitution of Gerald H. Gottlieb as attorney of record in place of W. D. MacKay in pro per was filed (R30). At the request of appellant's attorney the hearing was continued to January 13, 1958 (R38-39).

Defendants' interrogatories were served and filed December 20, 1957 (R38).

Defendants' motions for summary judgment were filed Jan. 3, 1958 and noticed for hearing on Jan. 13, 1958 (R70-73).

At the Jan. 13, 1958 hearing a continuance to Jan. 27, 1958 was granted at the request of plaintiff's counsel (R78).

On Jan. 27, 1958, Gerald H. Gottlieb withdrew as plaintiff's counsel and appellant was substituted again in pro per (R77). On plaintiff's motion the hearing was continued again to Feb. 17, 1958 on the statement of appellant that he wished to obtain other counsel (R81).

On Feb. 17, 1958, appellant filed his answers to defendants' interrogatories and again appeared in pro per and asked a further continuance to allow additional time to obtain counsel and to permit the institution of any discovery proceedings deemed necessary to oppose defendants' motions for summary judgment (R82-83). At this hearing the judge referred to the numerous prior continuances and stated that the continuance until March 17, 1958 would be granted, but that he intended to rule on that day on the pending motions (the applicable portions of the record are set forth in the answering brief of American Potash).

On March 11, 1958, appellant filed his affidavit in opposition to the defendants' motions for summary judgment (R97), and his motion to strike parts of the affidavits filed in support of such motions for summary judgment (R100-104) and his motion for further continuance of the hearing (R82-83).

At the hearing on March 17, 1958 defendants' motions for summary judgment were granted (R107-108). Findings of fact, conclusions of law and summary judgment were signed, served, and filed (R108-114).

### **SUMMARY OF ARGUMENT**

The answers to defendants' interrogatories given by appellant, the affidavits filed for support of motions for summary judgment, and appellant's own affidavits filed in opposition to motion for summary judgment clearly show that there is no genuine issue as to an essential element of appel-

lant's claimed cause of action and that the summary judgment was properly granted.

## **ARGUMENT**

### **A. Analysis of facts.**

In his complaint appellant alleges employment by defendants to obtain natural gas service at their plants near Trona, California and the subsequent making of a contract between defendants and Pacific Gas & Electric Company for the supplying of such services. The issue of whether defendants or either of them ever entered into an agreement with appellant under which he sought to obtain gas service for defendants' plants is one that cannot be conclusively disposed of on a motion for summary judgment and it was not made the basis for defendants' motions. It must be noted, however, that particularly in the case of defendant Stauffer confirmation of defendant's contention that no contract of any sort existed between appellant and West End Chemical Company or its successor, Stauffer Chemical Company, is to be found in the testimony of appellant given on November 6, 1956 in Proceedings to Perpetuate Testimony taken in the Superior Court of the State of California in and for the County of Los Angeles, proceeding No. 668414, set forth in the affidavit of William F. Spalding in support of motion for summary judgment (R68-69).

Defendants' motions for summary judgment were based on the contention that the contracts to supply natural gas which were entered into by defendants and Pacific Gas & Electric Co. were not entered into as a result of appellant's services or efforts and that an essential element of his cause of action was therefore lacking.

Supporting the defendants' motions for summary judgment is the affidavit of J. H. Gumz (R39-44), since 1941 the

manager of commercial and industrial sales of Pacific Gas & Electric Company.

He states:

(1) That the duties of his position include the negotiation of contracts for supplying of natural gas services to industrial customers such as defendants;

(2) That the files of Pacific Gas & Electric Company reveal that the first inquiry as to availability of gas service for the Trona, California area was made in 1948 by R. B. Coons, vice president of American Potash in the form of a letter to N. R. Sutherland, then vice president of Pacific Gas & Electric Company.

(3) That in 1954, on the instructions from his own management, he instituted contract discussions with both American Potash and West End Chemical Company and continued these negotiations until the contracts were entered into on April 11, 1955;

(4) That all of the negotiations which resulted in these contracts were carried on with R. B. Coons on behalf of American Potash and George C. Ellis on behalf of West End;

(5) That at no time did he or, to his knowledge or belief, anyone else in the employ of Pacific Gas & Electric Company have any discussion or communication with appellant regarding the furnishing of natural gas to defendants or anyone else in the area of Trona, California, nor did appellant participate in any way in negotiating for such service.

Defendants' motions were further supported by the affidavit of George C. Ellis (R47-48), president of West End from 1943 to the date of its merger with Stauffer on October 1, 1956 and a vice president of Stauffer in charge of the West End Division since that date negating any activities on behalf of West End by appellant and by the affidavit of W. M. Jacobs (R44-46), a vice president of Southern Cali-



fornia Gas Company denying that he or to his knowledge anyone else in Southern California Gas Company discussed the furnishing of such services by Pacific Gas & Electric Company with that company.

These affidavits and the additional ones of William F. Spalding (R51-70) and Robert B. Coons (R48-51) are controverted only by the allegation of appellant's complaint that the contract (sic) with Pacific Gas & Electric Company was made as a result of appellant's services and efforts (R12) and the statement in appellant's affidavit in opposition to motion for summary judgment "That to the best of his knowledge and belief, he induced, effected, and set in motion the chain of events" that culminated in the contract between Pacific Gas & Electric Company and the defendants (R98).

Any issue thus raised, however, is eliminated by the answers given by appellant to defendants' interrogatories (R83-95). The questions asked of appellant (R31-38) were designed to disclose any claimed connection between the appellant and the obtaining of the natural gas service from Pacific Gas & Electric Company. The appellant's answers clearly demonstrate the lack of any such connection and the correctness of the summary judgment.

Let us briefly analyze what those answers show:

1. Interrogatory No. 1 (R84-85):

Appellant admits that he had not, prior to the April 11, 1955 date of the contracts with Pacific Gas & Electric Company, communicated in any way with any officer, agent, or employee of that company concerning the furnishing of such services.

2. Interrogatory No. 2 (R85-86):

Appellant similarly admits that there was no such contact with Pacific Gas & Electric Company between the date of the contracts and October 1, 1955, the date on which natural gas service was actually started.

3. Interrogatory No. 3 (R86-91):

This interrogatory asks as to appellant's knowledge of *any* person other than the officers or full time employees of either defendants or the Pacific Gas & Electric Company, who had anything to do with interesting Pacific Gas & Electric Company in furnishing gas service to either the general area around Trona or the defendants' plants. The only persons listed in response to this question are Howard L. Minister, an engineer of the 11th Naval District, San Diego, California, and Clarence L. Alliman, Director of Utilities, District Public Works Office, 11th Naval District, San Diego, California. Minister and Alliman were stated to have met with representatives of Pacific Gas & Electric Company in 1951 and 1952 inquiring as to the availability of gas to the United States Naval Ordnance Depot, China Lake, California.

4. Interrogatory No. 4 (R91-94):

This interrogatory is similar to No. 3 except that it asks as to information of appellant other than personal knowledge as to anyone having anything to do with interesting Pacific Gas & Electric Company in furnishing such service. In his answer, appellant refers only to Minister and Alliman, the 11th Naval District personnel.

5. Interrogatories No. 5 and 6 (R94-95):

The contracts with Pacific Gas & Electric Company had to be approved by the California Public Utilities Commission. The answers to these interrogatories negative the rendering of any services by appellant in connection with the hearings at which these contracts were approved.

In the light of these admissions, appellant cannot contend that there remains any issue as to whether appellant performed the service for which he claims to have been hired.

## B. Analysis of the authorities.

What, then, is the law applicable to these facts?

It is well recognized that formal issues raised by the pleadings may be shown by affidavits or otherwise not to be genuine.

"In determining the matter, resort is had to extrinsic facts through affidavits, admissions and the like in order to find out if there is a real issue. This implies that such a finding will be made despite the fact that the pleadings as they stand present such issue." (Citing cases)

"This and other Courts of Appeals have had occasion to apply the principle readily. They have generally held that if the pleadings and affidavits show that there is no issue as to any fact material to the determination of the question, summary judgment should be granted." (Citing cases)

*Byrnes v. Mutual Life Insurance Company of New York* (CA 9th, 1954), 217 F.2d 497, 500;

*Burgert v. Union Pacific Railroad Company* (CA 8th, 1957), 240 F.2d 207, 210-211.

"The sufficiency of the allegations of a complaint do not determine the motion for summary judgment."

*Lindsey v. Leavy* (CA 9th, 1945), 149 F.2d 899, 902;

*Suckow Borax Mines Consolidated v. Borax Consolidated* (CA 9th, 1950), 185 F.2d 196, 205.

"\* \* \* we have often held that mere formal denials or general allegations which do not show the facts in detail and with precision are insufficient to prevent the award of summary judgment." (Citing many cases)

*Engl v. Aetna Life Insurance Co.* (CA 2d, 1943), 139 F.2d 469, 473.

"The purpose of the rule is to provide against the vexation and delay which necessarily come from the formal

trial of cases in which there is no substantial issue of fact."

*SMS Manufacturing Company v. U.S. Mengel Plywoods* (CA 10th, 1955), 219 F.2d 606, 607;

*Whelan v. New Mexico Western Oil and Gas Company* (CA 10th, 1955), 226 F.2d 156.

Discussing the use of the summary judgment, the court in *Bruce Construction Corp. v. United States* (CA 5th, 1957), 242 F.2d 873 says (p. 874) :

"Its wholesome utility is, in advance of trial, to test, not as formerly on bare contentions found in the legal jargon of pleadings, but on the intrinsic merits, whether there is in actuality a real basis for relief or defense."

After stating that trial should be had on disputed issues, the court continues :

"But, equally vigorous in giving full range to this mechanism, we have just as consistently rejected any notions that pretense, or apparent formal controversy can thwart application of this rule or hamstring the court in determining whether it is a proper case for it. Consequently, when a movant makes out a convincing showing that genuine issues of fact are lacking, we require that the adversary adequately demonstrate by receivable facts that a real, not formal, controversy exists, and, of course, he does not do that by mere denial or holding back evidence."

It has even been held proper for the court to suggest on its own initiative that a motion for summary judgment be filed.

*Klein v. Belle Alkali Company* (CA 4th, 1956), 229 F.2d 658, 662.

Once the moving party has met his burden of showing that the formal allegations of the pleading do not raise any genuine issue, the burden shifts to the other party to make a showing of sufficient facts to justify a trial.

*United States v. Jones* (DC Ga., 1957), 155 F. Supp. 52, 56;

*Lewis v. Clarence Coal Mining Co.* (DC Pa., 1955), 130 F. Supp. 909, 912.

This burden has not been met by appellant.

On the question of the correctness of the court's decision in granting the summary judgment, appellant cites eight cases (Opening Brief, p. 5-6). In five of these cases the action of the District Court in granting summary judgment is affirmed. It is believed that there is nothing in any of the cases cited in any way inconsistent with the position of the defendants herein. One case, that of *Albert v. Brownell* (CA 9th, 1954), 219 F.2d 602, turned on the absence of a finding on an indispensable jurisdictional question. This is just the opposite of the situation in appellant's case where, on the uncontroverted record, he must fail on an essential element of his cause of action.

### **C. Additional questions raised by appellant.**

Appellant raises two other issues in his brief (Opening Brief, p. 4). The first raises a question as to whether the District Court granted the motions for summary judgment or a motion to dismiss. The judgment and findings of fact and conclusions of law speak for themselves and eliminate any question in this regard (R108-114). There is no issue involving the statute of limitations before this court and the portion of appellant's brief dealing with this question is completely irrelevant.

The final question raised by appellant concerns the propriety of defendants' affidavits and the court's failure to grant his motion for a further continuance. These points are discussed in the Answering Brief of defendant, American Potash. We wish to adopt that portion of the Brief of American Potash and by this reference incorporate it herein.

### CONCLUSION

The action of the District Court in granting the motions for summary judgment was the only action which could be justified under the circumstances present here. It was taken after every reasonable opportunity had been accorded the appellant to pursue discovery procedures or to obtain substitute legal counsel. It would be most unreasonable to burden the defendants and the Court with a time-consuming trial of "issues" no longer at issue. To thus needlessly prolong the litigation would scarcely benefit even the appellant.

Respectfully submitted,

VINCENT H. O'DONNELL  
FREDRIK S. WAISS

By FREDRIK S. WAISS  
*Attorneys for Appellee,  
Stauffer Chemical Company*

No. 16,137 ✓

IN THE

**United States Court of Appeals  
For the Ninth Circuit**

---

FRANK RELEFORD,

*Appellant,*

vs.

UNITED STATES OF AMERICA,

*Appellee.*

**On Appeal from the District Court of the United States  
for the District of Alaska, Third Judicial Division.**

**BRIEF FOR APPELLEE.**

---

GEORGE M. YEAGER,

United States Attorney,

Fairbanks, Alaska,

*Attorney for Appellee.*

**FILED**

NOV - 1 1960

FRANK H. SCHMID, CLERK





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IN THE

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*Appellant,*

vs.

UNITED STATES OF AMERICA,

*Appellee.*

On Appeal from the District Court of the United States  
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**BRIEF FOR APPELLEE.**

---

**JURISDICTION.**

The jurisdiction of the District Court below was based upon the Act of June 6, 1900, c. 786, Section 4, 31 Stat. 322, as amended, 48 U.S.C. 101.

The jurisdiction of this Court of Appeals is invoked pursuant to the Act of June 25, 1948, c. 646, 62 Stat. 929, as amended, 28 U.S.C. 1291 and 1292 prior to the amendments appearing in Public Law No. 85-508, 72 Stat. 339.

**COUNTERSTATEMENT OF THE CASE.**

On October 9, 1957, Beverly June Tullo, alias Linda Bishop, accompanied Harry Robbins and his wife, Pat Robbins, to meet Frank Releford at Steilacoom, Washington, and then the four of them went to Seattle. After stopping for a few drinks they went to Beverly Tullo's residence where she picked up a few more clothes and then they proceeded on to Yakima, then to Mattawa, Washington, arriving there about 10:30 in the evening. Frank Releford and Beverly Tullo stayed with the Robbins at their trailer for three days. During this time she and Frank Releford discussed her coming to Anchorage, Alaska, and working in the Eldorado, a restaurant owned by him, as a waitress and a prostitute and about using the upstairs bedrooms in the club (TR 72, 73). Releford told her she could make more money in Alaska than she could in Washington (TR 73). The first night Tullo and Releford were in Mattawa she engaged in prostitution.

After Releford's three day visit they took him to Yakima to catch a bus so he could go to Seattle and take a plane to Anchorage, Alaska. About three weeks later Harry Robbins was visited by Frank Releford who stayed only for a short period of time. On October 20, or 21, Beverly Tullo received in the mail a Pacific Northern Airlines ticket from Releford for transportation from Seattle to Anchorage. On November 25 at Portland she called Releford in Anchorage and asked him to send her some money. On November 26 he sent her a telegraphic money order in the amount of thirty dollars (TR 127).

Beverly June Tullo left Seattle on November 27 for Anchorage, Alaska, via Pacific Northern Airlines. Frank Releford and Wade Gibson met her at the Anchorage Airport and they went directly to the Eldorado. That evening Tullo worked as a waitress and a prostitute and she gave the earnings to Releford (TR 75). She continued to work in Anchorage as a prostitute until December 6th. On December 11th she was arrested and charged with soliciting for the purpose of prostitution.

Frank Releford was indicted by a Grand Jury in Anchorage for a violation of 18 U.S.C.A. 2421 (White Slave Traffic Act). On April 28, 1958, the case was set for trial, but a continuance was granted. On May 19, 1958, a jury trial was held in the District Court for the District of Alaska. The appellant was convicted and received a sentence of thirty months. An appeal was taken to this Court.

---

#### **QUESTIONS PRESENTED.**

Whether the evidence was sufficient to sustain the conviction.

Whether the District Court committed error by denying the defendant's Motion for Judgment of Acquittal.

Whether the District Court committed plain error in regard to the impeachment by the government of its witness Tullo.

Whether the Court erred in its instructions on credibility.

Whether the Court committed prejudicial error by asking a question the answer to which disclosed that the appellant had been in prison.

Whether the appellant was deprived of his constitutional right to counsel.

---

### ARGUMENT.

#### I.

#### THE EVIDENCE WAS SUFFICIENT TO SUSTAIN THE CONVICTION.

The Robbins testified that they took Beverly Tullo, alias Linda Bishop, with them to meet the appellant at McNeil Island. Then, the four of them travelled by automobile to Seattle where Tullo obtained some clothes from her residence. After they arrived in Mattawa, Washington, the appellant and Tullo stayed with the Robbins in their trailer for three days, after which Releford went to Anchorage, Alaska. The appellant returned three weeks later, but stayed only for a short time.

During the three day period, the appellant and Tullo discussed her coming to Anchorage and working as a waitress and prostitute (TR 72). She was to work at a restaurant called the Eldorado, which had bedrooms upstairs (TR 73). Releford told her that she could make more in Alaska than she could in Washington. She worked at her profession the first night

they were in Mattawa. Around October 20, 1958, Tullo got a Pacific Northern Airlines ticket in the mail from the appellant for transportation from Seattle to Anchorage.

A few days later she went to Portland and on November 25, 1957, she phoned Releford and asked him for some money. He sent her thirty dollars by telegraphic money order. On November 27, 1957, Tullo flew from Seattle to Anchorage, where she was met by the appellant and Wade Gibson (TR 75). That night she worked in the Eldorado as a prostitute and gave her earnings to the appellant. She continued her activities until December 6th or 7th, and on the 11th she was arrested on the charge of soliciting for the purpose of prostitution, to which she entered a guilty plea and received a suspended sentence.

Beverly Tullo, the government's witness, was corroborated by the testimony of the Robbins; government's Exhibit No. 1 which was the used ticket in the possession of the witness; Exhibit No. 4 which was the manifest; Exhibit No. 5 which was the passenger ticket and baggage check; Exhibit No. 6 which was the application for the money order in the sum of thirty dollars; and Exhibit No. 7 which was the toll ticket for the call from Tullo to the appellant. Wade Gibson testified that he and the appellant met Tullo and took her to the Eldorado (TR 124). Tullo testified that the appellant knew she was a prostitute before she came to Alaska (TR 115).

Considering this evidence, the jury could conclude that the transportation was effected by the appellant

with the intent and purpose of placing Beverly June Tullo in prostitution in Anchorage. The jury could also draw an inference as to intent from the fact that the ticket which the appellant sent to Tullo reflected refundable only to Bert McFadden, East Fireweed Lane. Bert McFadden testified that he did not purchase the ticket and did not know Beverly Tullo until November (TR 119).

In *Woodward Laboratories v. United States*, 198 F. 2d 995, 998 (9th Cir. 1952), this Court said:

“The usual rule to be followed in determining the sufficiency of evidence to sustain a judgment is well settled. ‘It is not for us to weigh the evidence or to determine the credibility of witnesses. The verdict of a jury must be sustained if there is substantial evidence, taking the view most favorable to the Government, to support it.’ *Glasser v. United States*, 1942, 315 U.S. 60, 80, 62 S.Ct. 457, 469, 86 L.Ed. 680. See *Banks v. United States*, 9 Cir., 1945, 147 F.2d 628.”

The evidence was more than a mere scintilla. It was substantial evidence, which means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion. *Edison Co. v. Labor Board*, 305 U.S. 197, 229 (1938).

When the witness Beverly Tullo first took the stand she became a hostile witness and denied the conversation in Mattawa between herself and the appellant about her working for him as a prostitute and stated that she didn't give the appellant any money from her activities in Anchorage (TR 44). After Tullo had



been impeached by the government she again took the stand and admitted that she had lied in her previous testimony (TR 71). When the case was submitted to the jury, the Assistant United States Attorney requested the Court to cite Beverly Tullo for contempt for her admitted violation of her oath. The District Judge later cited her for contempt.

Although it may appear from some of her answers to questions after she agreed to tell the truth that they are inconsistent, a careful analysis discloses that her testimony was not conflicting on the material facts. Furthermore, the record does not reflect that she was threatened with a prejury prosecution by the Assistant United States Attorney.

The case of *Hinton v. United States*, 196 F. 2d 605 (D.C. Cir. 1952) cited by the appellant is not in point with our present case. In *Hinton* there were two children—one six years old and the other eight, and in each case the testimony of the child concerned was practically the only evidence having any tendency to prove a crime. One child had previously told two different stories, each entirely inconsistent with the other, and with her testimony at the trial. In our case Mrs. Tullo didn't tell the truth in court at first, but later testified to the facts she gave in her statement to the F.B.I. However, the facts in the present case do apply to this statement in the *Hinton* opinion, "It is of course true that self-contradiction by the government's sole eye witness is not always fatal to the government's case, for circumstances may prove a defendant's guilt beyond reasonable doubt."

The acts of the appellant before and after the transportation were competent as bearing on the element of intent.

This Court in *Frank Rios, Jr. v. United States*, ..... F. 2d ....., October 7, 1960, No. 16,925, stated in its opinion:

“We are required to regard the evidence and all inferences that may be drawn therefrom most favorably in support of the judgment of the trial court. *Sandez v. United States*, 9 Cir., 1956, 239 F. 2d 239. We cannot substitute our judgment for that of the trier of facts below where there is a conflict in the evidence. *Glasser v. United States*, 1941, 315 U.S. 68, 80.”

Though the testimony of Mrs. Tullo may have been conflicting in part, there is substantial evidence in the record to support the verdict and the judgment.

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## II.

**THE DISTRICT COURT DID NOT COMMIT ERROR BY DENYING THE MOTION FOR JUDGMENT OF ACQUITTAL MADE AT THE CLOSE OF THE CASE.**

The appellant states in his second specification of error that the Court erred in allowing a conviction based on a perjurious government impeached witness. Evidently he urges upon this Court that the motion for judgment of acquittal should have been granted by the District Court at the close of the case and since it was not granted the denial constituted reversible error (TR 139, 140).

The appellee has in its previous argument pointed out to the Court where the evidence supports the verdict.

The government agrees with the statement in *Mesa-rosh v. United States*, 352 U. S. 1, 9 that "the dignity of the United States Government will not permit the conviction of any person on tainted testimony", however, such a fact situation is not present in the instant case.

Mrs. Tullo testified before the jury that she lied when she first took the stand, but she was now going to tell the truth, and then proceeded to do so. All her testimony was before the jury which was the proper body to determine her credibility and weigh the evidence under the Court's Instructions Nos. 11, 12, 12a, 13 and 17 given by the Court. *Louis P. Hattem v. United States*, ..... F.2d ..... (9th Cir. 1960), No. 16,467.

Trial counsel made substantially the same arguments to the jury that appellant is now making to this Court (TR 144-155). Even a convicted perjurer may testify competently. *Schoppell v. U. S.*, 270 F. 2d 413, 416 (4th Cir. 1959). The witness, Beverly Tullo is not and was not a convicted perjurer. This Court in *Schino v. U. S.*, 209 F. 2d 67, 72 (9th Cir. 1954) stated,

"Appellants each assert that, as to himself, the evidence is insufficient to support the verdict. In determining this question, we must consider the evidence in the light most favorable to the government. *Glasser v. United States*, 315 U.S. 60, 68, 62 S. Ct. 457, 86 L. Ed. 680; *Woodward Labora-*

tories v. United States, 9 Cir., 198 F. 2d 995. Viewed in this light, the state of the evidence is such that a juror's reasonable mind '*could find* that the evidence excludes every reasonable hypothesis but that of guilt'. In such a situation, the case must be submitted to the jury, and their decision is final. Remmer v. United States, 9 Cir., 205 F.2d 277, 287-288, and cases cited. The theory upon which appellants rely, that in a circumstantial evidence case a conviction cannot be supported if the evidence is as consistent with innocence as with guilt, has been laid to rest in this circuit by the Remmer case, at least where, as here, the question arises on a motion for a judgment of acquittal."

---

### III.

#### THE DISTRICT COURT DID NOT COMMIT PLAIN ERROR IN REGARD TO THE IMPEACHMENT BY THE GOVERNMENT OF ITS WITNESS TULLO.

The Assistant United States Attorney did not bring out everything contained in the F.B.I. statement and it seemed better practice not to claim surprise and ask permission of the Court to impeach the witness in front of the jury.

Able trial counsel did not object to the impeachment of the witness, which is proper in federal courts and is expressly permitted by statute in Alaska. ACLA 1949 §58-4-59; §58-4-62.

No request was made by the appellant to limit the evidence to impeachment, either when it was received or at the conclusion of the trial. No objection was

made to the Court's instructions on impeachment (TR 159). No request for additional instructions was made. This Court has decided in a similar fact situation that no plain error was committed by the trial Court. *Stevens v. U. S.*, 256 F. 2d 619, 623 (9th Cir. 1958).

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#### IV.

##### **THE COURT DID NOT ERR IN ITS INSTRUCTIONS ON CREDIBILITY.**

Appellant urges that the trial Court erred in failing to instruct that Mrs. Tullo's testimony should be viewed with care. Trial counsel made no objection to the instructions, therefore, unless there is plain error pursuant to Rule 52 F.R.Cv. Proc., the question should not be considered on appeal. The trial Court did give Instruction No. 17, which reads in part as follows:

“A witness wilfully false in one part of his testimony may be distrusted in others.”

It is difficult to see how the trial Court committed plain error under these circumstances.

## V.

**THE COURT DID NOT COMMIT PREJUDICIAL ERROR BY ASKING A QUESTION THE ANSWER TO WHICH DISCLOSED THAT THE APPELLANT HAD BEEN IN PRISON.**

After both counsel had stated they had nothing further to ask the witness Tullo, the Court asked several questions (TR 116). The Court asked, "What was the occasion that brought you two together?" Mrs. Tullo answered, "Well, a friend of ours, Mr. Robbins, knew Frank Releford in McNeil Island Penitentiary and he was getting out October 9 and so they asked me if I'd like to go over and meet him." (TR 117). No objection was made nor was any request made to the Court to instruct the jury in regard to the answer.

However, earlier in the trial, counsel for appellant brought out on cross-examination the very fact which appellant now urges this Court to consider as prejudicial error (TR 96). Counsel asked Mrs. Tullo, "You figured he was pretty well established up here?" She answered, "I knew he couldn't have been too well established because he had just got out of the penitentiary."

If the trial judge had instructed the jury that the fact the defendant had been in prison could not be considered by them in determining his guilt without an objection or a request from counsel, no doubt the appellant would be claiming error because the Court emphasized the matter to the jury. In appellee's opinion, the trial attorney was wise to do nothing to impress this point on the jurors and the appellant should not now be able to allege error after the verdict went against him.

## VI.

**APPELLANT WAS NOT DEPRIVED OF HIS  
CONSTITUTIONAL RIGHT TO COUNSEL.**

The case was originally set for trial on April 28, 1958, and was continued upon the motion of the appellant. On May 16, 1958, Mr. Buckalew was appointed counsel for the appellant. On May 19, 1958, Mr. Buckalew requested another day to prepare the defense (TR 3), and advised the Court that Mr. Releford did not wish to sign the pauper's oath. The appellant said he would prefer Mr. Kay, but he did not object to being represented by Mr. Buckalew (TR 4). The U. S. Constitution amendment VI provides, "In all criminal prosecutions, the accused shall enjoy the right to a speedy and public trial, . . . and to have the assistance of counsel for his defense."

The Constitution does not guarantee to an accused in a criminal prosecution the right to the assistance of any particular attorney. If so, indigent prisoners could delay trials by claiming the lawyer appointed was not their choice.

The Court granted Mr. Buckalew's request for a continuance until the next day (TR 5). Appellant now alleges that his attorney was forced to trial without adequate preparation. Trial counsel did not move for an additional continuance nor does the record reflect that counsel was unprepared. In fact, he had an opportunity to discuss the case with at least one government witness (TR 91).

**CONCLUSION.**

For the reasons and the law set forth herein, appellee requests this Court to affirm the judgment of the Court below.

Dated, Fairbanks, Alaska,  
October 31, 1960.

Respectfully submitted,

GEORGE M. YEAGER,  
United States Attorney,

*Attorney for Appellee.*

**(Appendix Follows.)**



## **Appendix.**



## Appendix

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### ALASKA COMPILED LAWS ANNOTATED, 1949

#### §58-4-59. *Party's right to impeach own witness.*

The party producing a witness is not allowed to impeach his credit by evidence of bad character, but he may contradict him by other evidence, and may also show that he has made at other times statements inconsistent with his present testimony, as provided in section 58-4-62.

§58-4-62. *Impeachment by proof of inconsistent statements: Preliminary requirements.* A witness may also be impeached by evidence that he has made at other times statements inconsistent with his present testimony; but before this can be done the statements must be related to him, with the circumstances of times, places, and persons present; and he shall be asked whether he has made such statements, and, if so, allowed to explain them. If the statements be in writing they shall be shown to the witness before any question is put to him concerning them.



No. 16139 ✓

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**United States  
Court of Appeals  
for the Ninth Circuit**

---

ROY VERNON SHAW,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

---

**Transcript of Record**

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**Appeal from the United States District Court for the  
Southern District of California  
Northern Division.**

**FILED**

SEP 19 1958



No. 16139

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**United States  
Court of Appeals**  
for the Ninth Circuit

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ROY VERNON SHAW,

Appellant,

vs.

UNITED STATES OF AMERICA,

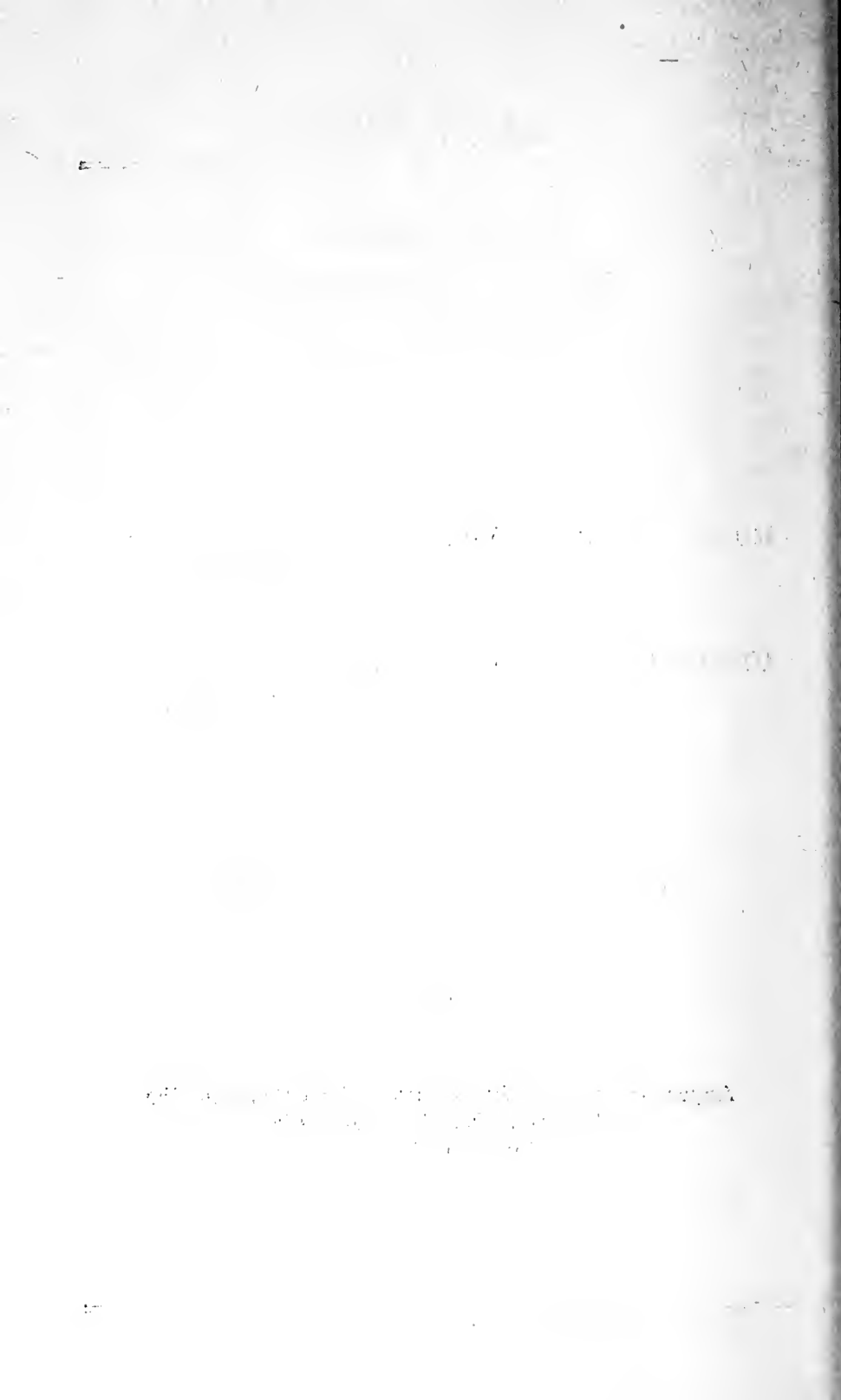
Appellee.

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**Transcript of Record**

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**Appeal from the United States District Court for the  
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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in italic; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in italic the two words between which the omission seems to occur.]

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# REPORT

OF THE

COMMISSIONERS OF THE LAND OFFICE  
IN RESPONSE TO A RESOLUTION OF THE HOUSE OF REPRESENTATIVES  
PASSED MARCH 10, 1870

ALBANY: PUBLISHED BY THE COMMISSIONERS OF THE LAND OFFICE.  
1871.

THE COMMISSIONERS OF THE LAND OFFICE  
ALBANY, N. Y.

1871.

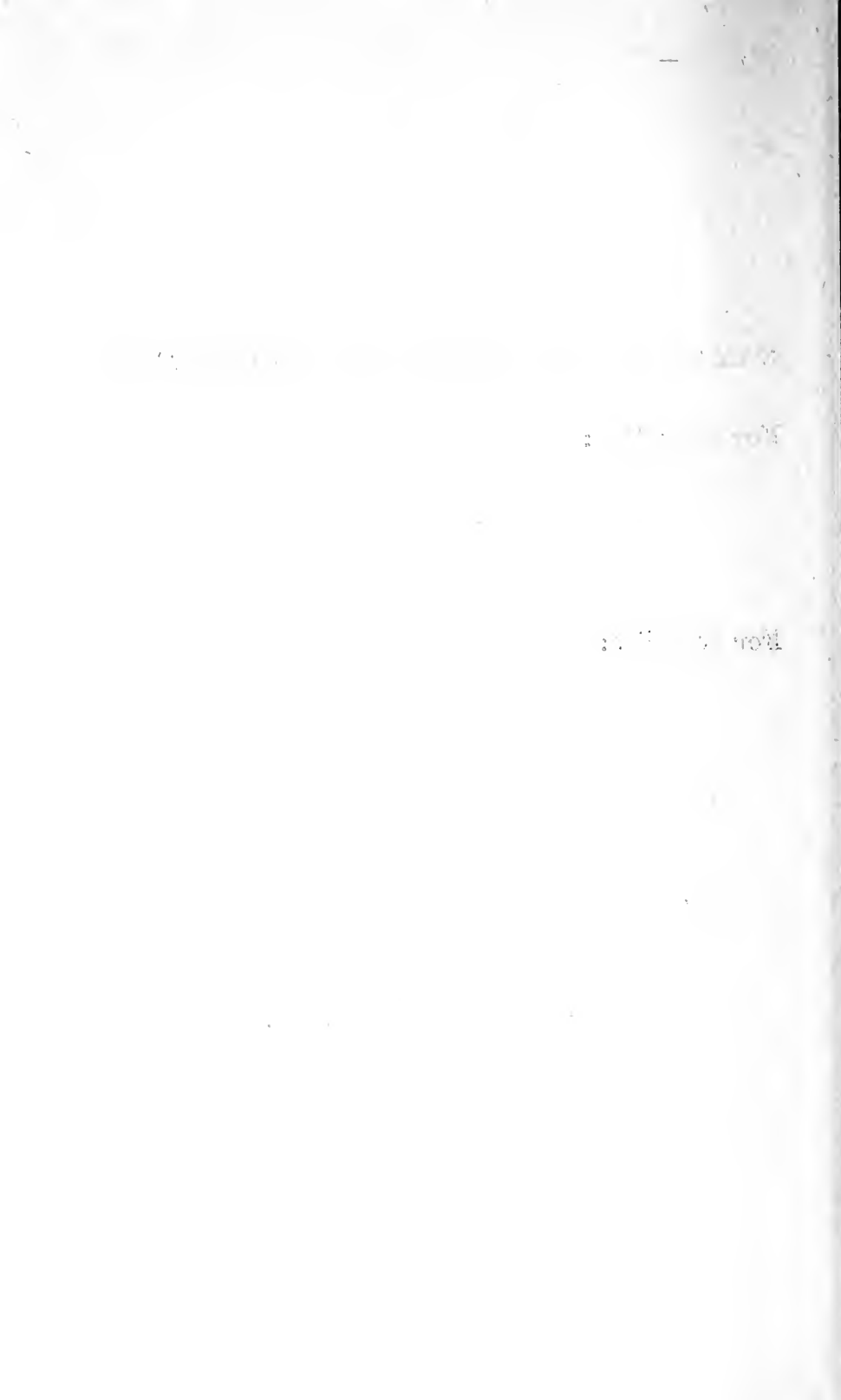
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United States District Court for the Southern  
District of California, Northern Division

No. 3521

UNITED STATES OF AMERICA,

Plaintiff,

vs.

ROY VERNON SHAW,

Defendant.

INDICTMENT

[U.S.C., Title 50, App., Sec. 562, Universal Military Training and Service Act.]

The grand jury charges:

Defendant Roy Vernon Shaw, a male person within the class made subject to selective service under the Universal Military Training and Service Act, registered as required by said Act and the regulations promulgated thereunder and thereafter became a registrant of Local Board No. 79, said Board being then and there duly created and acting, under the Selective Service System established by said Act, in Bakersfield, Kern County, California; pursuant to said Act and the regulations promulgated thereunder the defendant was classified in Class 1-O and was notified of said classification; thereafter the defendant was ordered to report on September 24, 1957, to said Local Board No. 79 for instructions to proceed to the Los Angeles County Department of Charities in Los Angeles, California, for civilian work contributing to the maintenance of the na-

tional health, safety and interest; and, at [2\*] said time, in Kern County, California, within the Northern Division of the Southern District of California, the defendant did knowingly fail and neglect to perform a duty required of him under said Act and the regulations promulgated thereunder in that he then and there knowingly failed and neglected to report for civilian work contributing to the maintenance of the national health, safety, and interest as so ordered to do.

A True Bill.

/s/ E. J. PRUD'HOMME,  
Foreman.

/s/ LAUGHLIN E. WATERS,  
United States Attorney.

[Endorsed]: Filed February 5, 1958. [3]

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[Title of District Court and Cause.]

### STIPULATION AND ORDER

(1. Trial Date—2. Jury Waiver)

The parties, by their counsel, hereby stipulate, subject to the approval of the Court, as follows:

1. Trial of the above cause shall be on April 25, 1958, at 2 p.m.;

2. Trial shall be by the Court, a jury being hereby waived, and this waiver shall be renewed in

**\*Page numbering appearing at foot of page of original Certified Transcript of Record.**

open court, by the defendant and by his counsel, if the Court so requires.

Dated: March 21, 1958.

/s/ J. B. TIETZ,

Attorney for Defendant.

LAUGHLIN E. WATERS,

United States Attorney,

By /s/ THOMAS R. SHERIDAN,

Ass't. U. S. Attorney.

Order

So ordered.

Dated: March 28, 1958.

/s/ GILBERT H. JERTBERG,

U. S. District Judge.

[Endorsed]: Filed March 28, 1958. [4]

---

[Title of District Court and Cause.]

### MOTION FOR JUDGMENT OF ACQUITTAL

The defendant moves the Court for a judgment of acquittal for each and every one of the following reasons:

1. The Local Board denied defendant due process of law in that it never gave the required consideration (if any at all was given) to his claim and evidence for a IV-D classification.

2. Defendant was denied due process in that his classification was not reopened after he submitted the precise new and further evidence specifically requested of him by the local board, and further, he was thereby frustrated from securing an appellate determination on such augmented record.

3. The denial of the claim for exemption as a minister of religion by all of the draft boards, and each of them, is without basis in fact, arbitrary, capricious and contrary to law.

4. The denial of the ministerial classification is illegal, arbitrary and capricious because the draft boards employed artificial standards in determining what constitutes a minister of religion within the meaning of the Act and Regulations; and they did not follow the definition of the term used in the Act and Regulations in determining the claim of the defendant as a minister of religion. [5]

5. The denial of the ministerial classification by the draft boards was arbitrary and capricious in that they held that the performance of secular work by the defendant, alone, without determining whether it was his avocation and used his performance of secular work to defeat illegally his ministerial status because the undisputed evidence showed that he is not engaged in secular work as a main business but only incidentally to his main work of the ministry, and that, according to the Act and Regulations, he is regularly and customarily engaged in teaching and preaching the doctrines



and principles of a recognized church, and pursues such preaching work as his vocation, and does not preach incidentally to the performance of any secular work; and therefore the draft board order is illegal, contrary to law and without basis in fact.

6. Defendant was denied procedural due process in that the local board failed to have available an Adviser to Registrants and to have posted conspicuously or any place, the names and addresses of such adviser, as required by the Regulations, and to defendant's prejudice.

7. The plaintiff has wholly failed to show that jurisdiction existed in the Local Board 79 empowering it to issue to defendant a valid order to do civilian work.

8. Defendant requested a personal appearance before the Appeal Board but this was refused.

Respectfully submitted,

/s/ J. B. TIETZ,

Attorney for Defendant.

April 25, 1958.

[Endorsed]: Filed April 24, 1958. [6]

United States District Court for the Southern  
District of California, Northern Division

No. 3521

UNITED STATES OF AMERICA,

vs.

ROY VERNON SHAW.

### JUDGMENT AND COMMITMENT

On this 28th day of May, 1958, came the attorney for the government and the defendant appeared in person and with his attorney, J. B. Tietz.

It Is Adjudged that the defendant has been convicted upon Judgment of the Court of the offense of knowingly failing and neglecting to report for civilian work contributing to the maintenance of the national health, safety, and interest as so ordered to do, as charged in the Indictment; and the court having asked the defendant whether he has anything to say why judgment should not be pronounced, and no sufficient cause to the contrary being shown or appearing to the Court,

It Is Adjudged that the defendant is guilty as charged and convicted.

It Is Adjudged that the defendant is hereby committed to the custody of the Attorney General or his authorized representative for imprisonment for a period of Ninety (90) Days in a place of imprisonment selected by the Attorney General.

The defendant files a Notice of Appeal and an Appeal Bond in the amount of \$500.00, which the amount fixed by the Court.

It Is Ordered that the Clerk deliver a certified copy of this judgment and commitment to the United States Marshal or other qualified officer and that the copy serve as the commitment of the defendant.

/s/ GILBERT H. JERTBERG,  
United States District Judge.

[Endorsed]: Filed May 28, 1958. [7]

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[Title of District Court and Cause.]

### NOTICE OF APPEAL

Appellant, Roy Vernon Shaw, resides at 1544 West Morton Street, Porterville, California.

Appellant's attorney, J. B. Tietz, maintains his office at 410 Douglas Building, 257 South Spring Street, Los Angeles 12, California.

The offense was failing to report for civilian work, U.S.C., Title 50 App., Sec. 462—Universal Military Training and Service Act, 1951.

On May 28, 1958, after a verdict of Guilty, the Court sentenced the appellant to 90 days confinement in an institution to be selected by the Attorney General.

I, J. B. Tietz, appellant's attorney, being authorized by him to perfect an appeal, do hereby appeal

to the United States Court of Appeals for the Ninth Circuit from the above-stated judgment.

/s/ J. B. TIETZ,  
Attorney for Appellant.

[Endorsed]: Filed May 28, 1958. [8]

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[Title of District Court and Cause.]

### EXTENSION OF TIME

For good cause shown, defendant is hereby given 54 additional days, to and including September 1, 1958, to prepare and docket the record on appeal.

Dated: June 25, 1958.

/s/ LEON R. YANKWICH,  
Judge.

[Endorsed]: Filed June 25, 1958. [12]

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[Title of District Court and Cause.]

### CERTIFICATE BY CLERK

I, John A. Childress, Clerk of the above-entitled Court, hereby certify that the items listed below constitute the transcript of record on appeal to the United States Court of Appeals for the Ninth Circuit, in the above-entitled matter:

A. The foregoing pages numbered 1 to 12, inclusive, containing the original:

Indictment.

Stipulation (1) Trial Date, (2) Jury Waiver.

Motion for Judgment of Acquittal.

Judgment.

Notice of Appeal.

Designation of record.

Application for bail on appeal.

Extension of time to docket record on appeal.

B. Defendant's exhibit "A."

I further certify that my fee for preparing the foregoing record, amounting to \$1.60, has been paid by appellant.

Dated: August 6, 1958.

[Seal]                      JOHN A. CHILDRESS,  
Clerk,

By /s/ WM. A. WHITE,  
Deputy Clerk.

---

[Endorsed]: No. 16139. United States Court of Appeals for the Ninth Circuit. Roy Vernon Shaw, Appellant, vs. United States of America, Appellee. Transcript of Record. Appeal from the United States District Court for the Southern District of California, Northern Division.

Filed: August 7, 1958.

Docketed: August 16, 1958.

/s/ PAUL P. O'BRIEN,  
Clerk of the United States Court of Appeals for the Ninth Circuit.

United States Court of Appeals for the  
Ninth Circuit

No. 16139

ROY VERNON SHAW,

Appellant.

vs.

UNITED STATES OF AMERICA,

Appellee.

STATEMENT OF POINTS ON WHICH  
APPELLANT INTENDS TO RELY ON  
APPEAL

Appellant will rely upon the following points in the prosecution of his appeal from the judgment entered in the above-entitled cause.

## I.

The Local Board denied defendant due process of law in that it never gave the required consideration (if any at all was given) to his claim and evidence for a IV-D classification.

## II.

Defendant was denied due process in that his classification was not reopened after he submitted the precise new and further evidence specifically requested of him by the Local Board, and further, he was thereby frustrated from securing an appellate determination on such augmented record.

III.

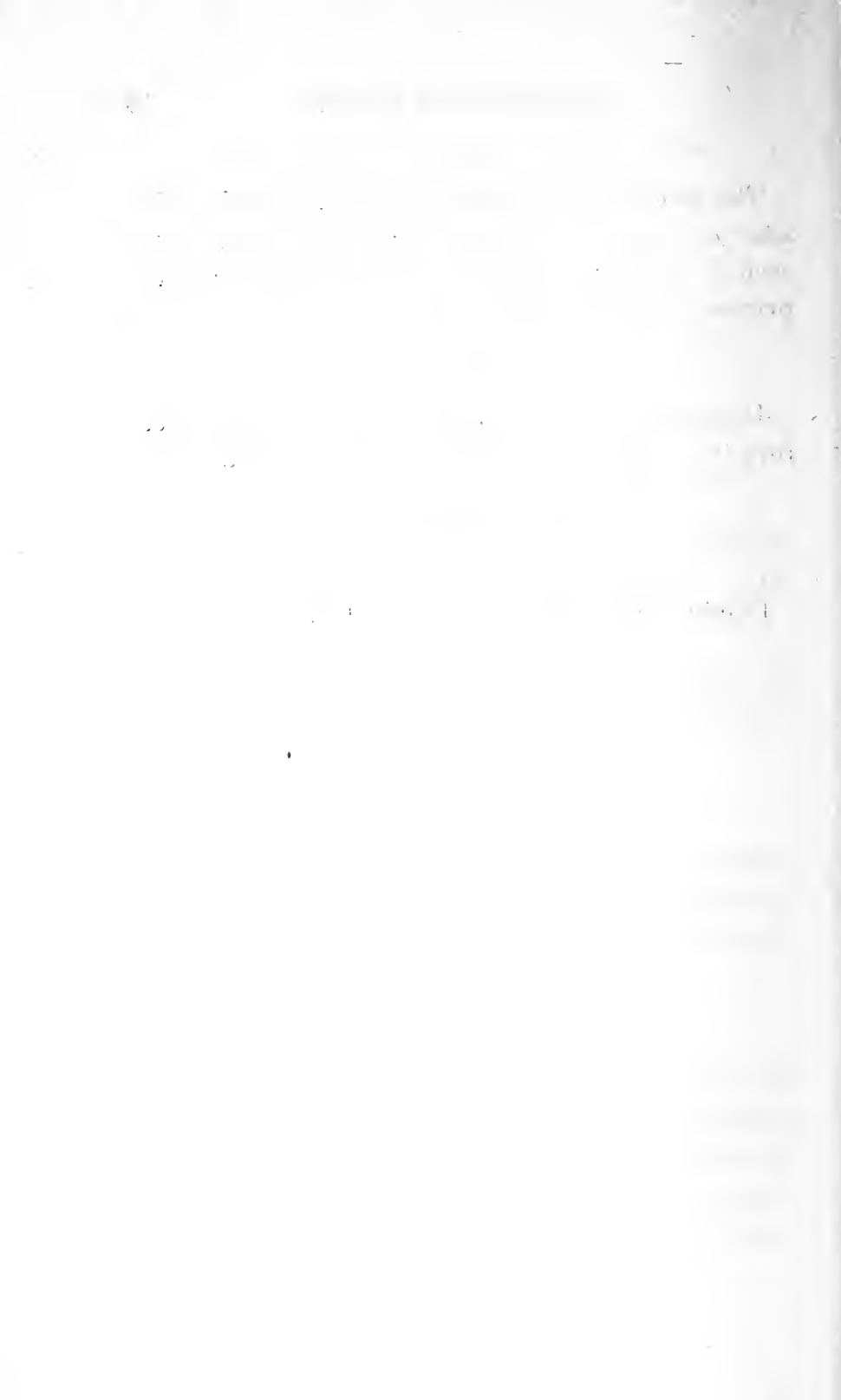
The denial of the claim for exemption as a minister of religion by all of the draft boards, and each of them, is without basis in fact, arbitrary, capricious and contrary to law.

IV.

Defendant requested a personal appearance before the Appeal Board but this was refused.

/s/ J. B. TIETZ.

[Endorsed]: Filed August 25, 1958.





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**United States Court of Appeals**  
**FOR THE NINTH CIRCUIT.**

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**No. 16,139.**

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**ROY VERNON SHAW,**  
*Appellant,*

**vs.**

**UNITED STATES OF AMERICA,**  
*Appellee.*

---

**APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE  
SOUTHERN DISTRICT OF CALIFORNIA, NORTHERN DIVISION.**

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**APPELLANT'S OPENING BRIEF.**

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**J. B. TIETZ,**  
South Spring and Third Streets,  
410 Douglas Building,  
Los Angeles 12, California,  
*Attorney for Appellant.*



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**United States Court of Appeals**  
FOR THE NINTH CIRCUIT.

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**No. 16,139.**

---

ROY VERNON SHAW,  
*Appellant,*

vs.

UNITED STATES OF AMERICA,  
*Appellee.*

---

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE  
SOUTHERN DISTRICT OF CALIFORNIA, NORTHERN DIVISION.

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**APPELLANT'S OPENING BRIEF.**

This is an appeal from a judgment rendered and entered by the United States District Court for the Southern District of California, Northern Division. The appellant was sentenced to custody of the Attorney General for a period of 90 days (R. 8-9).<sup>\*</sup> Title 18, Section 3231, United States Code, conferred jurisdiction in the district court over the prosecution of this case. This Court has jurisdiction of

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<sup>\*</sup>R. refers to the printed Transcript of Record.

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**United States Court of Appeals**  
FOR THE NINTH CIRCUIT.

---

**No. 16,139.**

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ROY VERNON SHAW,  
*Appellant,*

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APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE  
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<sup>\*</sup>R. refers to the printed Transcript of Record.

this appeal under Rule 27 (a) (1) and (2) of the Federal Rules of Criminal Procedure. The notice of appeal was filed in the time and manner required by law (R. 9-10).

### **STATEMENT OF THE CASE.**

The indictment charged appellant with violation of the Universal Military Training and Service Act (R. 3-4). It was alleged that he became a registrant of Local Board No. 79 of the Selective Service System in the County of Fresno, State of California, and that having theretofore been duly classified in Class I-O, did knowingly refuse and fail to comply with the order of his said Local Board No. 79 to report to said board for instructions concerning civilian work (R. 3-4).

Appellant pleaded not guilty, waived jury trial and was tried, convicted, and judgment was pronounced on May 28, 1958 (R. 8-9). A written motion for judgment of acquittal was filed (R. 5-7). The motion was denied and defendant sentenced, as aforesaid. The motion contains all of the grounds that the Appellant relies upon for reversal of the judgment in this case (R. 12-13).

### **THE FACTS.**

Appellant was registered with the Selective Service System on September 18, 1951 (Exs. 1-2).\*\*

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\*\*Ex. refers to the Government's exhibit, the selective service file of appellant. The pagination is at the bottom of each sheet of the exhibit, circled.



He signed Series XIV of the Classification Questionnaire (Ex. 11), thereby asserting he was a conscientious objector. He made no entries whatsoever in Series VI, the portion of the questionnaire relating to ministry (Ex. 7).

On March 10, 1952, he was sent the Special Form for Conscientious Objectors which he completed and returned on March 17th (Exs. 14-17). His answers are noteworthy in the following details: he refused to sign either of the claims for exemption (Ex. 14) and he gave information that although his parents were both Jehovah's witnesses, he was not a member of any religious sect or organization (Ex. 16).

On April 21, 1952, the local board classified him in Class I-A-O (Conscientious Objector Available for Non-combatant Military Service Only).

On July 20, 1953, his local board received an executed College Student Certificate from his college Recorder (Ex. 19) and on October 5, 1953, he was reclassified in Class II-S (student) (Ex. 12). Thereafter, he remained in this class (except for an unexplained and immaterial three weeks' return to I-A, in November, 1953) until after his graduation in 1956.

On August 20, 1956, he was reclassified in Class I-A (Available for Military Service) and he timely appealed in writing (Ex. 76).

In a separate letter he specifically requested a personal appearance before the appeal board (Ex. 74).

On September 20, 1956, he was informed by the local board that the appeal board grants no personal appearance (Ex. 79).

On October 1, 1956, he was given a personal appearance before the local board and it reclassified him into Class I-O (Conscientious Objector Available for Civilian Work Contributing to the Maintenance of the National Health, Safety and Interest) (Ex. 13). On October 1, 1956, he gave information to the local board, in writing, that he had entered the ministry as one of Jehovah's witnesses; he executed a four page form on this subject that it furnished him (Exs. 80-83). He also gave oral answers to oral questions propounded, among other things, erroneously agreeing to such erroneously formulated questions as "You are not licensed to perform marriage or funeral services?" (Exs. 85-86).

On March 7, 1957, he presented wholly new evidence concerning his new status in the ministry, namely, showing that he had become one of the "servants". It was in writing (Ex. 100). His classification was not reopened.

The selective service file shows that the local board unsuccessfully tried to get the registrant to agree to do civilian work (Ex. 93).

On May 7, 1957, he was ordered to appear before the local board on May 23, 1957, "in accordance with provisions of section 1660.20 (c) of the regulations." This section provides for an "arbitrator" from state headquarters to attempt to reconcile the registrant to accepting I-O work (see 32 C.F.R., Sec. 1660.20).

On May 23, 1957, at this "arbitration" hearing he presented more written evidence of his new "servant" status (Exs. 105-109). He also gave oral answers to questions propounded at this hearing (Exs. 110-114). The file

is silent concerning any action taken or consideration given the evidence of his new status.

Thereafter he was ordered to report for instructions concerning civilian work and, upon his failure to do so, was indicted.

## **QUESTIONS PRESENTED AND HOW RAISED.**

### **I.**

Appellant presented written and oral evidence of his new status. No action whatever was taken by the local board.

The questions presented here are (1) was the evidence new? (2) was it such evidence which, if true, required reopening and/or reclassification? (3) Did the board comply with the law after receiving this evidence?

These "reopening" questions were raised by the motion (R. 12-13).

## **SPECIFICATION OF ERRORS.**

### **I.**

The district court erred in failing to grant the motion for judgment of acquittal.

### **II.**

The district court erred in convicting the appellant and entering a judgment of guilty against him.

## **SUMMARY OF ARGUMENT.**

The local board took no action whatsoever upon receipt of the March 7, 1957 (and subsequent), evidence of new status.

A. The regulations required that it at least send its registrant a letter (putting a copy in the file) informing him that it did not consider his new evidence sufficient to justify reclassification.

The cases cited show that this was procedural error sufficient to require acquittal.

B. The regulations required that there be a reopening of the classification when such evidence of new status was presented. A reopening, even if it resulted in the same (or a worse) classification would have given the registrant the opportunity for an administrative appellate determination.

The cases cited show that such a deprivation is procedural error requiring acquittal.

## **ARGUMENT.**

### **I.**

#### **Appellant Presented New Evidence and of Such a Nature That His Classification Should Have Been Reopened.**

This point involves the following: did the local board give any consideration to the evidence of new status submitted on and after March 7, 1957? Could the board fairly and legally ignore it?

Appellant will deal only incidentally with the prejudice to him caused by the local board's failure to give him its own determination of the legal effect of his new status evidence. Appellant will argue that his chief deprivation was due to the failure of the local board to follow the regulations and that it deprived him of an appellate determination of his new status.

The record is clear on the following:

1. In 1951, when appellant executed his Classification Questionnaire (Ex. 5-13) he was not a minister or a student for the ministry (Ex. 7).

2. In 1952, when appellant executed his Special Form for Conscientious Objectors (Ex. 14-17) he was not a member of any sect (Ex. 16) although both his parents were Jehovah's witnesses (Ex. 16).

3. On March 1, 1953, he was baptized as one of Jehovah's witnesses (Ex. 80).

At this time he was an agricultural college student and his position among the Jehovah's witnesses (who, as the Court knows, are all missionaries, some by vocation, some by avocation) was not such as to distinguish him from the rank and file.

4. On October 1, 1956, when he was before his local board his status as a missionary minister was unchanged and was summarized in the following dialog that took place on that occasion:

"Q. Do you feel that you would qualify for deferment as a minister under the Selective Service law?"

"A. Probably not as the law stands at present, on the basis of previous cases." (Ex. 85).

His obvious candor and his good judgment perhaps was what convinced the local board it should reclassify him into Class I-O, although no new evidence on conscientious objection was before it, other than his demeanor.

5. In the spring of the following year his status as a minister changed.

On March 7, 1957, he notified the local board that he now was one of the "servants", the Ministry School Servant. He also detailed some of his other responsible work in this letter (Ex. 100). *No action whatsoever* was taken by the local board with reference to the above new factual material other than the fact it was filed and now appears as page 100 of the Exhibit.

6. Soon thereafter, he supplied further new information of his new status: on pages 105 and 105A is found the affidavit of other leaders of his sect pointing out Shaw was "an appointed and ordained servant/minister". On page 106 is additional evidence that his potential was being recognized and that he had been given additional responsibilities of leadership in ministerial activity. On page 109 is corroborative evidence. *No action whatsoever* was taken by the local board other than to file these documents.

This failure to act was in direct disobedience of the Regulations. The regulations gave the board two options: (1) reopen and reclassify, even if into the same Class; (2) refuse to reopen and notify the registrant, placing a copy in the file. The local board did none of these things.

Section 1622.1 (c) requires "The local board will receive and consider all information, pertinent to the classi-

fication of a registrant, presented to it". The board obviously "received" the document of March 7, 1957 (and subsequent ones), but there is nothing in the file to show it took any action. We will concede that the board read the documents but this is not the type of consideration contemplated by the regulations. The board must act, one way or another. There is no pocket veto in Selective Service. This point will be argued hereinafter.

The importance of consideration, generally, already has been given attention by this Court in at least two instances, *Talcott v. Reed*, (9 Cir.) 217 F. 2d 360, 364; *Knox v. United States*, (9 Cir.) 200 F. 2d 398, 402.

If the local board had given "reopening" consideration to this new evidence of new status, Shaw would have been able to take an administrative appeal if the local board action was adverse. The local board's inaction deprived him of this as well as depriving him of his right to a determination by the local board itself.

Section 1625.1 of the regulations provides, in part:

"(a) No classification is permanent.

"\* \* \*

"(c) The local board shall keep informed of the status of classified registrants".

Consequently, the prior classification was not permanent, and it was the duty of the local board to keep informed of the status of its registrant.

Section 1625.2 provides, in part:

"The local board may reopen and consider anew the classification of a registrant (1) upon the written

request of the registrant, \* \* \*, if such request is accompanied by written information presenting facts not considered when the registrant was classified, which, if true, would justify a change in the registrant's classifications;" \* \* \*.

Appellant wrote on March 7, 1957, and also during the subsequent months, showing the board new information never before known to the board, and showing his belief he should now be reclassified as a minister. He presented facts not in existence and therefore not considered at the time of his last classification (because he did not then claim he should have a minister's classification, and because they were not in existence) which facts, if true, would justify a change in a registrant's classification.

The regulations specifically provide for such situations. As above noted the regulations give the local board two choices: (1) to reopen; (2) to refuse to reopen.

We have already alluded to the deprivation suffered by Shaw due to the failure to reopen. We now point out two other considerations:

1. The local board did not follow its own regulations relating to refusal to reopen.

2. The facts presented were such that it was required of the board that it reopen.

**A. The board violated its procedural regulations in the manner it handled the problem.**

Section 1625.4 provides, in part:

"When a registrant, \* \* \* files with the local board a written request to reopen and consider anew



the registrant's classification and the local board is of the opinion that the information accompanying such request fails to present any facts in addition to those considered when the registrant was classified, or, even if new facts are presented, the local board is of the opinion that such facts, if true, would not justify a change in such registrant's classification, it shall not reopen the registrant's classification. *In such a case, the local board, by letter, shall advise the person filing the request that the information submitted does not warrant the reopening of the registrant's classification and shall place a copy of the letter in the registrant's file.*" (emphasis supplied).

The information presented was evidence not present or in existence at any of the times the registrant was classified. However, if the new facts presented would not in the opinion of the local board justify a change in registrant's classification, "it shall not reopen the registrant's classification," but "shall advise (him) and shall place a copy of the letter in the registrant's file." This was not done.

There now appears in Appellant's selective service file considerable evidence in support of his claim that he is a minister. It is true that the local board could have found the new evidence would not justify a change in classification, and, consequently, it could have refused to reopen. However, if the local board determines that the new facts would not justify a change in classification and refuses to reopen, the regulations provide: "In such a case, the local board, by letter, shall advise the person filing the request that the information submitted does not warrant the re-

opening of the registrant's classification and shall place a copy of the letter in the registrant's file."

Appellant's board did nothing whatsoever. Appellant had no opportunity to either appeal to the appeal board or to appeal to the local board for a hearing devoted to considering the augmented file. In similar situations this has been held to be error meriting administrative reprocessing (by virtue of acquittal). In *United States v. Nichols*, No. 22,951, S. D. Calif., Judge Harry C. Westover held, on December 14, 1953:

"On September 30, 1952, when the local board refused to reopen registrant's case, it mailed to him Form C-140. Even if Form C-140 should be considered a letter, no copy of said form appears in registrant's selective service file. As a consequence, there is no escape from the conclusion that the local board did not follow the regulations.

"We are not now attempting to pass upon the validity of defendant's claim that he is entitled to a ministerial classification. He did, however make that claim to his local board. The local board by refusing to reopen the case took away from registrant the right to have the matter passed upon by the appeal board. We do not believe it was the intent of Congress to place with the local boards the arbitrary right to determine when a registrant should be entitled to an appeal. The local board might very well disagree with the registrant's contention, but local boards should be vigilant at all times to see that registrants have a right to test their opinions upon appeal. It seems to the court that the action of the local board in this case was arbitrary, as it took away from registrant the

right to present to the appeal board his claim that he was a minister.

"This court is of the opinion that Congress intended registrants should have a right to appeal classification to appeal boards, and that right of appeal should not be taken from them arbitrarily by local boards which refuse to reopen classification. Because of the arbitrary action of the local board in the case at bar, which deprived defendant of his right of appeal, it is necessary that this court find defendant not guilty as charged."

A similar problem arose in *LaCasse v. United States*, No. 23,222, S. D. Calif., on January 13, 1954. Just as Shaw made a request for an appearance before the Appeal Board (Ex. 74) which was refused, perhaps correctly (Ex. 79), so LaCasse made a futile attempt to appear before the local board. In his decision Judge Peirson Hall said:

"He made a request for a personal appearance, which I think was appropriately and properly under the regulations denied.

"The draft board, however, upon his request for a personal appearance did consider the additional affidavits and did what they called a review of his file, then and again subsequently, at which time the draft board had before them the three letters, or whatever it was which had been before the Department of Justice, and which they must have taken into consideration to arrive at their recommendation of I-A."

"The only means under the law by which this registrant could get before the Appeal Board the same thing that was before the Department of Justice and

*the same thing that was before his local board after these letters were filed with the local board was by a reopening (emphasis supplied).*

“He could not under the regulations appeal from merely a review, but had the draft board reopened his case and again classified him as I-A he then would have had the right of appeal so that the Appeal Board would have had an opportunity to have before them the same thing which was before the Department of Justice when they recommended that he be classified as a conscientious objector.

“I am satisfied that under the *Nichols* case that it was the duty of the draft board under that state of facts to have reopened the case so as to have permitted him—maybe they would have reached the same conclusion that the Department of Justice did, the Appeal Board to the contrary notwithstanding—but had they reached the same conclusion they previously did it would have afforded this registrant an opportunity to get before the Appeal Board the things which were not before them on the previous hearing.

“For that reason I think that the action of the local board was arbitrary and that there has been no commission of an offense and the defendant is acquitted. His bond is exonerated, and the defendant is discharged.”

In reaching a similar conclusion on this “reopening” question the Fifth Circuit, in *Olvera v. United States*, 223 F. 2d 880, remarked:

“Under this principle, it is of the essence of the validity of board orders and of the crime of disobeying them that all procedural requirements be strictly and

faithfully followed, and that a showing of failure to follow them with such strictness and fidelity will invalidate the order of the board and a conviction based thereon." (382).

The Fifth Circuit used the reasoning of Judge Westover:

"In the Witmer case, the action of the local board was reviewed by the appeal board to which the file was sent. Here the failure to rule formally on the request to reopen and reclassify denied Olvera of his right to an appeal from this adverse action. In fact Olvera was not even notified of his retention in Class I-A except that the local board 'processed him for induction.' " (883).

Still other courts have held that such evidence entitles a registrant to an administrative appellate opportunity. Chief Judge Roche, in *United States v. Nimori*, N. D. Calif., September 25, 1953, No. 33680, held:

"Thereupon, after due consideration the Court finds that the defendant was classified I-A in December of 1948; that thereafter defendant presented facts and information not considered when defendant was originally classified and which, if true, would justify a change in defendant's classification; that the local board's refusal to reopen said classification and grant defendant the right to a personal appearance or appeal was an abuse of discretion and was in violation of Section 1625.2 and Section 1625.4 of the Selective Service Act and Regulations, and the procedural rights of defendant guaranteed under the Selection Service Act and Regulations have been denied him, and therefore the defendant is not guilty as charged."

Also see *Ransom v. United States*, (7 Cir.) 223 F. 2d 15, 17; *United States v. Vincelli*, (2 Cir.) 216 F. 2d 681, 682.

In the most recent Circuit decision on "reopening", *Stepler v. United States*, (3 Cir.) No. 12498, July 23, 1958, the opinion notes that when the local board refused to reopen "defendant was advised by the local board that the evidence did not warrant reopening his classification." In the case at bar the local board not only arbitrarily refused to reopen (as we will next argue) but even failed to comply with the regulation requiring notification.

It must always be kept in mind that one can even agree with the implication of the local board's inaction, namely, that the new evidence would not "justify" a reclassification into the Class sought by the registrant, and still condemn the local board's inaction that not only deprived the appellant of the opportunity to have the administrative appeal board pass on his new evidence but even of a notification of the board's refusal to act.

The Third Circuit summed up this subject in *Stepler*, *supra*.

"Furthermore we are here not concerned with whether the defendant made out a case which meets the statutory criteria. We are concerned only with the question whether the local board complied with the law and the regulations and we conclude that it did not comply with the regulations but denied the defendant a procedural right which vitiated the entire proceeding."

**B. The local board was required to reopen.**

We have already argued that appellant was deprived of a "strict and faithful" following of the procedural regulations.

We now argue that the new evidence was sufficient in amount and quality to require reopening.

The Dickinson decision is of importance in this connection. In *Dickinson v. United States*, 74 S. Ct. 152, it is made clear that the local board must proceed on evidence, not on suspicion or speculation. Appellant presented evidence never known to, or before the local board at any time.

Upon receipt of the aforesaid evidence the problems before the local board were as follows:

1. Is it true?
2. If true, does it require reclassification action?

It is reasonable to conclude that the appellant actually had become one of the servants who conduct the services (Ex. 113 shows he was one of the servants who conducted the services at three separate places). His education and the fact no evidence appears either to contradict or to even question his claim supports this view.

Conceding its truth, as we believe appellee will, did it require reclassification action? Yes, by all fair standards. The act and the regulations require only that the minister be "a regular minister of religion" (Section 1622.43 (a) (1)) or "a duly ordained minister of religion" (Section 1622.43 (a) (2)). The difficulty of the draft boards arises

in the interpretation, and the regulation, in its effort to clarify the problem goes on to say:

"The term 'regular or duly ordained minister of religion' does not include a person who irregularly or incidentally preaches and teaches the principles of religion of a church, religious sect, or organization and does not include any person who may have been duly ordained a minister in accordance with the ceremonial, rite, or discipline of a church, religious sect or organization, but who does not regularly, as a vocation, teach and preach the principles of religion and administer the ordinances of public worship as embodied in the creed or principles of his church, sect, or organization." (Subsection (3) of (b)).

It is evident that this definition, with respect to vocation, still is a matter on which minds can well disagree. The usual question is how many hours of secular work disqualify a registrant from being considered a minister by vocation? The Courts do not agree,\* and absent legis-

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\*Some use the hours per week standard. For example, in *United States v. Stankewicz*, 20 hours per week of secular work was not disqualifying; 124 F. Supp. 27, 28.

In the more recent case of *United States v. Cheeks*, 159 F. Supp. 328, the decision notes, concerning the local board, "When they found he was continuing his 40 hours a week secular employment they \* \* \* denied him a ministerial classification" (329). Although the acquittal was based on the fact a board member didn't think any of Jehovah's witnesses is entitled to a minister's classification, it is clear the trial judge didn't believe a regular secular job was disqualifying.

Some go by "regularity" as in *United States v. Thomas*, D. N. J. Apr., 1955, No. 229-54, where Judge Forman noted: "Beyond his taking on the secular work necessary to furnish a basis for livelihood for his wife and himself, where is there any evidence that the



lation (assuming its validity) it is unlikely there ever can be agreement on this subject. Thus, it must be concluded that any reasonable showing of new status in the ministry, whether it be a substantially larger proportion of religious to secular hours or, as here, of substantially higher position in the hierarchy, should entitle the registrant to be considered a candidate for reclassification. Many a federal judge has said "If I were classifying him on this record I might have classified him differently, but the law doesn't give me \* \* \* etc." By the same token, when a reasonable quantity and quality of new evidence is presented it is only fair that the board say: "Well, we don't think he should be classified as a minister but the Appeal Board may think otherwise, so we'll give him his chance for an appellate determination". This is analogous to a district judge admitting an appellant to bail pending appeal. When a local board deprives a registrant of the opportunity to have his new evidence weighed by an administrative appeal board it is an arrogation of infallibility to itself. This Court should condemn such immodesty.

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regularity of his ministerial duties changed or was affected thereby".

This Court seems inclined to use the rule of necessity. In *Brown v. United States*, 216 F. 2d 258, the opinion notes that Brown, when informing the local board he had become one of the servants added that he was working for short periods of time in order to provide himself with subsistence and to defray his expenses (259).

**CONCLUSION.**

Appellant at least should have had the opportunity for an administrative appeal so that his new status could have been reviewed.

The judgment of conviction should be reversed so that he can be reprocessed by the Selective Service System on his new status.

Respectfully submitted,

J. B. TIERZ,

*Attorney for Appellant.*

No. 16139

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

---

ROY VERNON SHAW,

*Appellant,*

*vs.*

UNITED STATES OF AMERICA,

*Appellee.*

---

## APPELLEE'S BRIEF.

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LAUGHLIN E. WATERS,  
*United States Attorney,*

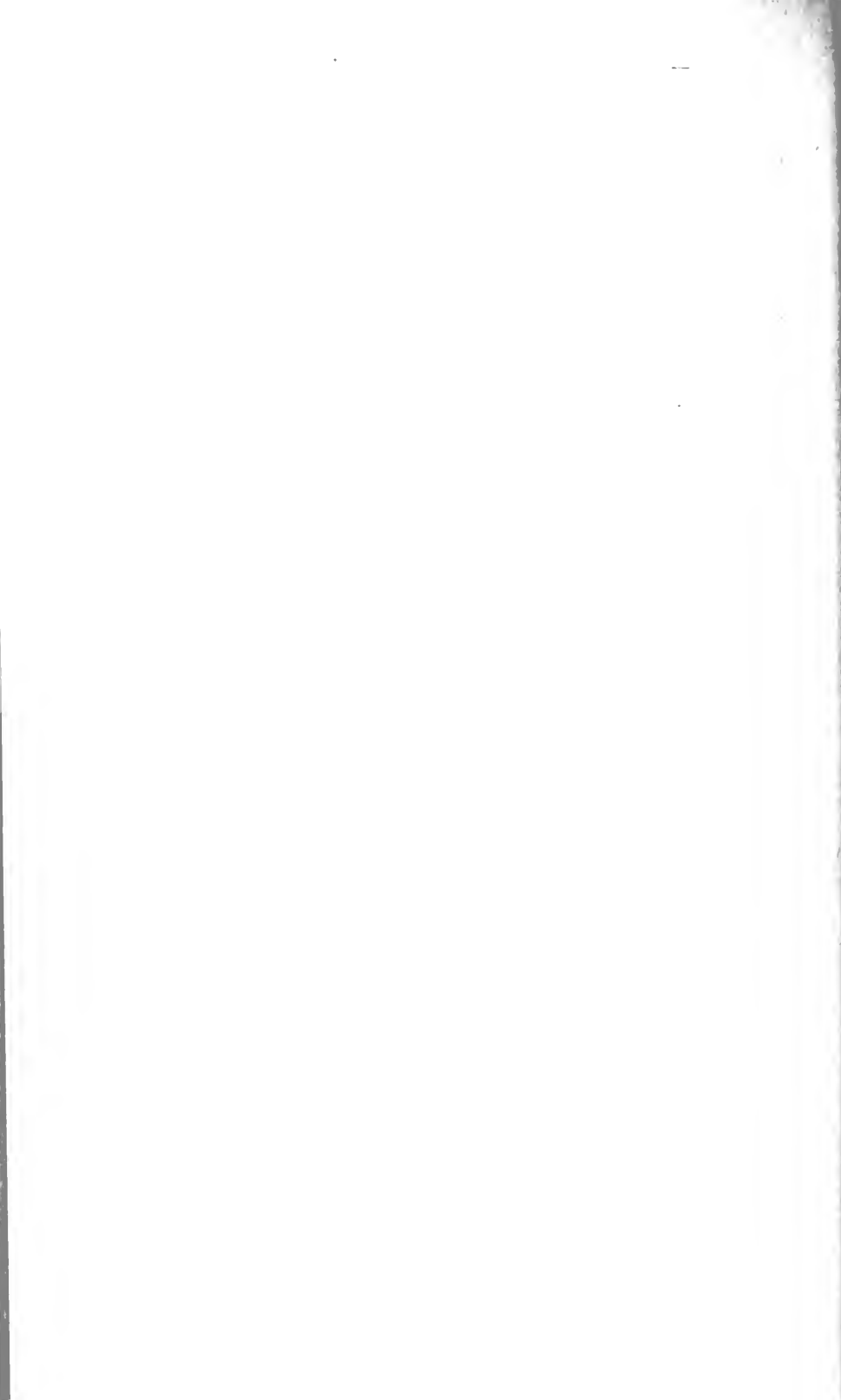
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**FILED**

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No. 16139  
IN THE  
**United States Court of Appeals**  
FOR THE NINTH CIRCUIT

---

ROY VERNON SHAW,

*Appellant,*

*vs.*

UNITED STATES OF AMERICA,

*Appellee.*

---

**APPELLEE'S BRIEF.**

---

I.

**JURISDICTION.**

Appellant was indicted by the Federal Grand Jury in and for the Southern District of California on February 5, 1958, under Section 462 of Title 50, United States Code, Appendix, for knowingly failing and neglecting to report for civilian work in lieu of induction as ordered to do by Local Board 79. [Tr. 3-4.]

After the appellant was arraigned and pleaded not guilty, the appellant was tried in the United States District Court for the Southern District of California, Northern Division, before the Honorable Gilbert H. Jertberg without a jury on April 25, 1958, and at the close of evidence and argument Judge Jertberg took the matter under submission. On May 28, 1958, Judge Jertberg adjudged the defendant guilty as charged and sentenced

him to the custody of the Attorney General or his authorized representative for imprisonment for a period of ninety days. [Tr. 8-9.]

The District Court had jurisdiction of the cause of action under 50 U. S. C., Appendix 462, and 18 U. S. C. 3231.

## II.

### STATUTE INVOLVED.

The Indictment in this case was brought under Section 462 of Title 50, Appendix, United States Code, which provides in pertinent part:

“(a) Any . . . person charged as herein provided with the duty of carrying out any of the provisions of this title [sections 451-470 of this Appendix], or the rules or regulations made or directions given thereunder, who shall knowingly fail or neglect to perform such duty . . . shall, upon conviction in any district court of the United States of competent jurisdiction, be punished by imprisonment for not more than five years or a fine of not more than \$10,000, or by both such fine and imprisonment . . .”

## III.

### STATEMENT OF THE CASE.

The Indictment returned on February 5, 1958, charges that the appellant was duly registered with Local Board No. 79 in Bakersfield, California; he was classified I-O; he was ordered to report for civilian work contributing to the maintenance of the National Health, Safety, and Interest at the Los Angeles County Department of Charities on September 24, 1957; and at that time he knowingly failed and neglected to report for civilian work in lieu of induction into the Armed Forces of the United States as so notified and ordered to do. [Tr. 3-4.]



After arraignment and a plea of not guilty, the appellant was tried before the Honorable Gilbert H. Jertberg without a jury on April 25, 1958. On May 7, 1958, the Court filed an order for judgment in which the Court found the appellant guilty as charged in the Indictment. On May 28, 1958, Judge Jertberg sentenced the defendant to imprisonment for a period of ninety days. [Tr. 8-9.] On May 28, 1958, the defendant filed a notice of appeal. [Tr. 9-10.]

Appellant assigned as error the Judgment of conviction on the following grounds:

(1) The District Court erred in failing to grant the Motion for Judgment of Acquittal;

(2) The District Court erred in convicting the appellant and entering a judgment of guilty against him. (App. Br. p. 5.)

#### IV.

#### STATEMENT OF THE FACTS.

The following facts are obtained from Government's Exhibit 1 in evidence [the appellant's Selective Service File]:<sup>1</sup>

September 18, 1951: Appellant registered at Local Board 79 in Bakersfield, California. [Ex. 1-2.]

December 18, 1951: Defendant returned his Classification Questionnaire (SSS Form 100) to Local Board 79, in which he signed Series XIV indicating he claimed conscientious objection to participation in war. [Ex. 5-11.]

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<sup>1</sup>Hereinafter this Exhibit will be referred to as "Ex." followed by the appropriate page in said Exhibit.

March 17, 1952: Appellant returned his Special Form for Conscientious Objector (SSS Form 150) to Local Board 79 in which he claimed conscientious objection to both combatant and noncombatant training and service. Appellant in this form claimed belief in a supreme being, and stated he was not a member of a religious sect or organization. [Ex. 14-17.]

April 21, 1952: Local Board 79 classified appellant I-AO by a vote of 3 to 0. [Ex. 12.]

April 22, 1952: Local Board 79 mailed appellant a Notification of Classification (SSS Form 110) advising him of his I-AO classification. [Ex. 12.]

February 3, 1953: Local Board 79 mailed appellant an Order to Report for Armed Forces Physical Examination (SSS Form 223) on February 11, 1953. [Ex. 18.]

February 18, 1953: Local Board 79 mailed appellant a Certificate of Acceptability (Form DD-62) advising him that as a result of his physical examination he was found not acceptable for induction and it was recommended that he be re-examined in six months. [Ex. 12.]

March 9, 1953: Local Board 79 classified appellant IV-F by a vote of 3 to 0, and mailed him a Notification (SSS Form 110) of such classification. [Ex. 12.]

July 20, 1953: Local Board 79 received a College Student Certificate (SSS Form 109) from California State Polytechnic College indicating that appellant completed his first year in the school of agriculture. [Ex. 19-20.]

August 31, 1953: Local Board 79 mailed appellant an Order to Report for Armed Forces Physical Examination (SSS Form 223) on September 9, 1952. [Ex. 21.]

September 15, 1953: Local Board 79 mailed appellant a Certificate of Acceptability (Form DD-62) advising

him that as a result of physical examination he was found fully acceptable for induction. [Ex. 23.]

September 25, 1953: Appellant returned to Local Board 79 the College Questionnaire (Form C-296) in which he indicated he had completed his first year of college. [Ex. 58-59.]

October 5, 1953: Local Board 79 classified appellant II-S by a vote of 3 to 0. [Ex. 12.]

October 6, 1953: Local Board 79 mailed appellant a Notification of Classification (SSS Form 110) advising him of his II-S classification; and mailed him a form (Form C-242) to be completed by his college in regard to his enrollment and satisfactory pursuance of a full-time course of study. [Ex. 60.]

November 2, 1953: Local Board 79 classified appellant I-A by a vote of 3 to 0 (the Form C-242 had not been returned) and notified him of this classification (SSS Form 110). [Ex. 5.]

November 12, 1953: Local Board 79 received the Form C-242 signed by the Recorder of appellant's college. [Ex. 60.]

November 16, 1953: Local Board 79 classified appellant II-S by a vote of 3 to 0. [Ex. 5.]

November 17, 1953: Local Board 79 notified (SSS Form 110) appellant of his II-S classification. [Ex. 12.]

July 9, 1954: Local Board 79 received a College Student's Certificate (SSS Form 109) from appellant indicating he had completed his second year in agricultural college. [Ex. 61-62.]

July 22, 1954: Local Board 79 mailed appellant a College Questionnaire (Form C-296). [Ex. 63.]

August 3, 1954: Local Board 79 received the completed College Questionnaire (Form C-296) from appellant as well as a change of address. [Ex. 63-66.]

August 23, 1954: Local Board 79 classified appellant II-S by a vote of 2 to 0. [Ex. 12.]

August 24, 1954: Local Board 79 notified (SSS Form 110) appellant of his II-S classification. [Ex. 12.]

September 20, 1954: Local Board 79 mailed appellant a form (Form C-242) to be filled out by his college. [Ex. 67.]

October 11, 1954: Local Board 79 received the Form C-242 from appellant's college. [Ex. 67.]

July 14, 1955: Local Board 79 mailed appellant a College Questionnaire (Form C-296). [Ex. 68-69.]

July 19, 1955: Local Board 79 received the College Questionnaire (Form C-296) from appellant. [Ex. 68-69.]

August 5, 1955: Local Board 79 sent the College Questionnaire (Form C-296) back to appellant to be completed. [Ex. 68-69.]

August 11, 1955: Local Board 79 received the completed College Questionnaire (Form C-296) from appellant. [Ex. 68-70.]

August 15, 1955: Local Board 79 received a College Student Certificate (SSS Form 109) from appellant indicating he had completed his third year of college. [Ex. 71-72.]

August 22, 1955: Local Board 79 classified appellant II-S by a vote of 3 to 0. [Ex. 12.]

August 23, 1955: Local Board 79 notified (SSS Form 110) appellant of his II-S classification. [Ex. 12.]

October 14, 1955: Local Board 79 received notification from appellant's college that appellant was enrolled and satisfactorily pursuing a full-time course (Form C-242). [Ex. 73.]

July 24, 1956: Local Board 79 mailed appellant a College Questionnaire (Form C-296). [Ex. 12.]

August 20, 1956: Local Board 79 reclassified appellant I-A by a vote of 2 to 0. [Ex. 12.]

August 21, 1956: Local Board 79 notified (SSS Form 110) appellant of his I-A classification. [Ex. 12.]

August 31, 1956: Local Board 79 received a letter from appellant in which he stated that he was dissatisfied with his I-A classification and would like a personal appearance before the appeal board. Local Board 79 received a second letter from appellant requesting an appeal of his classification. [Ex. 74-77.]

September 10, 1956: Local Board 79 advised appellant that he would be notified when to personally appear before the board. [Ex. 78.]

September 20, 1956: Local Board 79 notified appellant to personally appear before the board on October 1, 1956 (Form C-310), and in a P.S. advised appellant: "although you asked for a personal appearance before the Appeal Board, we feel you meant Local Board, as the Appeal Board grants no personal appearances." [Ex. 79.]

October 1, 1956: Appellant personally appeared before Local Board 79 and advised: That he became a member of Jehovah's Witnesses on March 1, 1953, that he is an ordained minister who devotes approximately eight hours a week to his ministerial duties and fifty hours a week to his secular job, and that he got married in June of

1956. At the conclusion of the personal interview the board classified defendant I-O by a vote of 3 to 0. [Ex. 12-13, 80-86.]

October 2, 1956: Local Board 79 notified (SSS Form 110) appellant of his I-O classification. [Ex. 13.]

October 29, 1956: Local Board 79 mailed appellant a Dependency Questionnaire (SSS Form 118). [Ex. 13, 87-91.]

November 8, 1956: Appellant returned his Dependency Questionnaire (SSS Form 118) to Local Board 79. [Ex. 87-92.]

December 20, 1956: Local Board 79 mailed appellant a Special Report of Class I-O Registrants (SSS Form 152) explaining what is required of I-O registrant. [Ex. 93-96.]

December 31, 1956: Appellant returned the Special Report of Class I-O Registrant (SSS Form 152) without completing it, but with the statement: "I cannot, according to my belief, accept any work offered me by the Local Board, unless it be with the Watchtower Bible and Tract Society of 117 Adams Street, Brooklyn 1, New York." [Ex. 94.]

January 24, 1957: Local Board 79 wrote to the State Director of Selective Service asking what type of work was available for I-O registrants. [Ex. 97.]

January 30, 1957: Local Board 79 received a letter from the State Director advising the board of the type of work available for I-O registrants. [Ex. 98.]

February 26, 1957: Local Board 79 wrote to appellant offering him three types of approved civilian work in lieu of induction into the Armed Forces. [Ex. 99.]

March 11, 1957: Appellant returned the offer of work to Local Board 79 in which he declined to accept any of the work offered. Appellant also wrote a letter to the board advising them that he would not accept any work that did not fit in with his religious convictions. [Ex. 99-100.]

April 25, 1957: Local Board 79 sent appellant's Selective Service File to the State Director for review. [Ex. 102.]

April 29, 1957: The State Director advised Local Board 79 to set up a meeting with the appellant and a representative from the State Director's office. [Ex. 103.]

May 7, 1957: Local Board 79 directed appellant to appear for an interview on May 23, 1957. [Ex. 104.]

May 23, 1957: Appellant met with Local Board 79 and the State Director's representative, at which time he filed three affidavits. After the interview appellant signed a statement that he could not and would not accept any position offered by the Local Board in lieu of induction. [Ex. 105-114.]

July 11, 1957: Local Board 79, via the State Director, sent appellant's Selective Service File to National Headquarters requesting authority to order appellant to perform work at Los Angeles County Department of Charities in lieu of induction into the Armed Forces. [Ex. 115-117.]

July 29, 1957: Local Board 79 received authority from National Headquarters to order defendant to work at Los Angeles County Department of Charities in lieu of induction. [Ex. 118.]

September 13, 1957: Local Board 79 mailed defendant an Order to Report for Civilian Work (SSS Form 153)

in which appellant was ordered to report to the Local Board on September 24, 1957, where he was to receive instructions to proceed to the place of employment: Los Angeles County Department of Charities. [Exs. 121-122.]

September 24, 1957: Appellant did not report to the Local Board or proceed to the Los Angeles County Department of Charities as ordered. [Ex. 123-129.]

October 18, 1957: Local Board 79 sent appellant's Selective Service File to the State Director for review (Form C-302). [Ex. 130.]

October 21, 1957: State Director sent appellant's Selective Service File to National Headquarters for review. [Ex. 131.]

November 6, 1957: State Director reported appellant to the United States Attorney of the Southern District of California for failure to report for civilian work as ordered.

By way of synopsis the Selective Service File indicates that appellant registered in September of 1951, claimed he was a conscientious objector, was deferred for four years while he completed college, was classified as a conscientious objector, and when ordered to perform civilian work in lieu of induction he refused.



V.

ARGUMENT.

Preliminary Statement.

Appellant's case herein rests upon just one fundamental point, namely: the appellant submitted new evidence to Local Board 79 after his last classification, and Local Board 79 should have either reopened and reclassified appellant or should have notified appellant that it was not going to reopen his classification. Hence, it is apparent that appellant is attempting to place appellee upon the horns of a dilemma, but appellee will show that there is in fact, no dilemma present because appellant's initial premise is a mere assertion and not a fact.

POINT ONE.

The Effect of the Controlling Selective Service Regulations.

The following Regulations govern the reopening and reclassifying of a registrant:

1625.2. *When registrant's classification may be reopened and considered anew.* The local board may reopen and consider anew the classification of a registrant (1) upon the written request of the registrant, the government appeal agent, any person who claims to be a dependent of the registrant, or any person who has on file a written request for the current deferment of the registrant in a case involving occupational deferment, if such request is accompanied by written information presenting facts not considered when the registrant was classified, which, if true, would justify a change in the registrant's classification; or (2) upon its own motion if such action is based upon facts not considered when the registrant was classified which, if true, would justify a change

in the registrant's classification; provided, in either event, the classification of a registrant shall not be reopened after the local board has mailed to such registrant an Order to Report for Induction (SSS Form No. 252) unless the local Board first specifically finds there has been a change in the registrant's status resulting from circumstances over which the registrant had no control. (32 C.F.R. 1625.2.)

1625.3. *When registrant's classification shall be reopened and considered anew.* The local board will reopen and consider anew the classification of a registrant upon the written request of the State Director of Selective Service or the Director of Selective Service and upon the receipt of such request shall immediately cancel any Order to Report for Induction (SSS Form No. 252) which may have been issued to the registrant. (32 C.F.R. 1625.3.)

1625.4. *Refusal to reopen and consider anew registrant's classification.* When a registrant, any person who claims to be a dependent of a registrant, any person who has on file a written request for the current deferment of the registrant in a case involving occupational deferment, or the government appeal agent files with the local board a written request to reopen and consider anew the registrant's classification and the local board is of the opinion that the information accompanying such request fails to present any facts in addition to those considered when the registrant was classified or, even if new facts are presented, the local board is of the opinion that such facts, if true, would not justify a change in such registrant's classification, it shall not reopen the registrant's classification. In such a case, the local board, by letter, shall advise the person filing the request that the information submitted does not warrant the reopening of the registrant's classification

and shall place a copy of the letter in the registrant's file. No other record of the receipt of such a request and the action taken thereon is required. (32 C.F.R. 1625.4.)

We can immediately dismiss Regulations 1625.3 providing for mandatory reopening inasmuch as there is no written request by the State Director or the National Director to reopen appellant's classification.

In essence, as far as this case is concerned Regulation 1625.2 provides that the local board may reopen and reclassify a registrant when the following factors are present:

a. A written request by the appellant to reopen his classification;

b. Written information (accompanying the written request to reopen) which must contain:

(1) new evidence,

(2) which, if true, would justify a change in appellant's classification.

In essence, as far as this case is concerned, Regulation 1625.4 provides that if appellant files a written request to reopen his classification and:

a. presents evidence which is not new, or

b. presents evidence which is new, but still does not justify a change in classification; then the local board shall advise the appellant in writing that his classification is not being reopened.

These two regulations comprise the horns of the dilemma offered by appellant.

## POINT TWO.

### The Appellant Did Not Bring Himself Within the Regulations Governing Reopening.

Each of the three Regulations governing reopening (cited above) requires a *written request* (emphasis supplied). In the instant case there is no written request from anyone to reopen appellant's classification; and further, there is no written communication that is even colorably or arguably a request to reopen. Although not designated as a part of the record appellee has seen fit (with acknowledgment and agreement from appellant's counsel) to attach as Appendix I to this brief the District Court's "Order for Judgment" in which the trial judge stated his findings and conclusions. In this "Order for Judgment" the Court declared: "The record is clear that the defendant made no express request that his classification be reopened." (Appendix.)

It is appellee's position that this court need not rule on appellant's arguments because they are moot, inasmuch as they presuppose the existence of a written request to reopen which is in fact non-existent and so declared by the trier of fact. Therefore, before reaching appellant's arguments this court would first have to redetermine the factual issue of whether or not there is a written request to reopen in appellant's Selective Service File; and appellee respectfully submits that it is a maxim of the law that appellate courts will not redetermine the facts passed upon by the trier of fact. It is also worthy of note that in the instant case appellant does not and cannot claim that he ever requested (in writing or otherwise) that his classification be reopened; and thus, we are not even faced with the question of substantial evidence.

### POINT THREE.

#### **Appellant Did Not Submit New Evidence Which if True Would Justify a Change in His Classification.**

This point naturally presupposes that the court find the requisite written request to reopen. For the sole purpose of showing that appellant's argument still lacks merit we shall assume, as did appellant in his brief, the existence of a written request to reopen appellant's classification.

The facts are undisputed that on August 20, 1956, Local Board 79 classified appellant I-A, and within the time allowed for appeal the appellant requested a personal appearance and an appeal [Ex. 74-77]. Appellant on September 20, 1956 had a personal appearance before Local Board 79; and at the conclusion of this appearance, Local Board 79 classified appellant I-O [Exs. 12-13]. When appellant appeared before the Local Board he advised them: he became a Jehovah's Witness on March 1, 1953 (this is the first time the Board was advised of this fact); he became an ordained minister on March 1, 1953; and he spent 8 hours a week in the performance of his ministerial duties, and 50 hours a week in his secular employment as a salesman for a plant food concern [Ex. 80-86].

The appellant was duly notified of his I-O classification and did not appeal this classification.

For the next six months Local Board 79 attempted, without success, to place appellant in approved civilian work in lieu of induction. It is during this period that appellant claims he submitted "new" evidence bearing on his classification. What is this "new" evidence? Appellant merely states that the following documents in his Selective Service File constitute new evidence:

a. His letter to the Local Board on March 7, 1957 in which he offers an explanation as to why he does not wish to perform any of the three types of civilian work he was offered [Ex. 100].

b. The three affidavits from fellow Jehovah Witnesses attesting to appellant's good character [Ex. 105, 106 and 109].

Without laboring the issue, it is apparent that any information contained in these documents is not "new" evidence. Appellee invites a comparison of these documents with pages 80-86 of the appellant's Selective Service File [Ex. 80-86].

On May 23, 1957, appellant was once again interviewed at Local Board 79, at which time he himself clearly indicated: that there was no change in his status since his last personal interview, and that he considered the three affidavits [Ex. 105, 106 and 109] as character references [Ex. 110-114].

Again referring to the trial court's finding (Appendix I) Judge Jertberg found:

"I find nothing in the affidavits or in the transcript of the hearing which contains information which was not already before the Board and which the Board had not previously considered. . . ." (Appendix.)

Hence, it is clear that appellant is asking this court to redecide the factual issue squarely presented and decided in the trial court, namely: did appellant submit new evidence?

Before passing this point there is one further consideration. Assuming the existence of the written request to reopen, and assuming further that appellant presented new evidence, this court would then have to redecide the

factual issue of whether or not this new evidence, if true, would justify a change in appellant's classification.

The trial judge when considering this very point specifically found: "nothing which would justify a change in the registrant's classification" (Appendix).

This court was faced with this question of reopening in the *Stain* case (*Stain v. United States*, 235 F. 2d 339 (9th Cir., 1956)); wherein this court held that the local board must follow the regulations on reopening.

Appellee will not discuss in detail the law as to whether or not appellant would be entitled to a ministerial classification (IV-D) (as we would first have to make the series of assumptions discussed above), other than to point out that under the Selective Service Regulation defining a "regular or duly ordained minister" (32 C.F.R. 1622.43) and the numerous cases interpreting and applying this regulation it is clear that appellant would not be entitled to a IV-D classification.

*Dickinson v. United States*, 346 U. S. 389 (1953);

*United States v. Capehart*, 237 F. 2d 388 (4th Cir., 1956), cert. den. 352 U. S. 971 (1956);

*United States v. Diercks*, 223 F. 2d 12 (7th Cir., 1955), cert. den. 350 U. S. 841 (1955);

*United States v. Hill*, 221 F. 2d 437 (7th Cir., 1955), cert. den. 349 U. S. 964 (1955);

*Bates v. United States*, 216 F. 2d 130 (8th Cir., 1954), cert. granted, reversed on other grounds, 348 U. S. 966 (1955);

*United States v. Colford*, 238 F. 2d 858 (6th Cir., 1956);

*United States v. Manns*, 232 F. 2d 709 (7th Cir., 1955);

*Leitner v. United States*, 222 F. 2d 363 (4th Cir., 1955).

#### POINT FOUR.

#### The Local Board Was Not Required to Advise Appellant It Would Not Reopen His Classification.

The second horn of the dilemma offered by appellant is that Regulation 1625.4 (32 C.F.R. 1625.4) applies to the instant case and was violated by the Local Board. This contention must also fail because there is no written request to reopen appellant's classification. We hereby incorporate our argument given in Point Two above on the necessity and absence of a written request to reopen in order to come within the purview of this regulation.

Appellee also wishes to point out that this argument was not raised in the trial court [Tr. 5-7; and Appendix I], and should not be considered for the first time on appeal.

Appellant cites several authorities in support of his contention that failure to advise a registrant that his classification will not be reopened is grounds for acquittal. Naturally, this question is not reached unless there is first a written request to reopen accompanied by some evidence.

The *Nimori* case (*United States v. Nimori*, N. D. Calif., No. 33,680, September 25, 1953), the *Nichols* case (*United States v. Nichols*, No. 22,951, S. D. Calif., December 14, 1953), and the *LaCasse* case (*United States v. LaCasse*, No. 23,222 S. D. Calif., January 13, 1954), are unreported District Court cases which are clearly distinguished from the instant case on the facts, and are in no way binding or controlling on the issues raised in this case.

In the *Olvera* case (*Olvera v. United States*, 223 F. 2d 880 (8th Cir., 1955), the court pointed out that *Olvera*



had filed a written request for reopening, had a hearing, and still the local board refused to reopen on the ground that it didn't have to, is clearly distinguished from the instant case.

In *Ransom v. United States* (223 F. 2d 15 (7th Cir., 1955)), the court specifically found that *Ransom* had written to his local board requesting his classification be opened several different times, and that *Ransom* had presented new evidence. Also it appears that the Local Board did in fact advise *Ransom* that they were not going to reopen his classification.

In *United States v. Vincelli*, 216 F. 2d 681 (2nd Cir., 1954), the registrant presented a written request to reopen accompanied by a written statement and thus this case is distinguished from the instant case.

By way of conclusion the Supreme Court in the *Witmer* case (348 U. S. 375, 384 (1954)), when speaking of reopening and reclassifying, made a statement which is most apt to appellant's position: "mere cavilling."

## VI.

### Conclusion.

I. The appellant was not entitled to have his classification reopened because he did not make a written request to reopen.

II. The appellant did not present any new evidence bearing on his classification.

III. Even if the evidence appellant presented is considered to be new and is considered to be true, it would not justify a change in his classification.

IV. The Local Board was not required to advise appellant that they were not reopening his classification because appellant never made a written request to have his classification reopened.

V. The conviction should be affirmed.

Respectfully submitted,

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## APPENDIX I.

United States District Court, Southern District of California, Northern Division.

United States of America, Plaintiff, vs. Roy Vernon Shaw, Defendant. No. 3521-ND.

### ORDER FOR JUDGMENT.

The defendant, Roy Vernon Shaw, by indictment filed in this Court on February 5, 1958, was charged with a violation of the Universal Military Training and Service Act, Title 50 App. U.S.C.A. Section 462, in that he knowingly failed and neglected to report for civilian work contributing to the maintenance of the national health, safety and interest at the Los Angeles County Department of Charities on September 24, 1957, as ordered by Local Board No. 79 in Bakersfield, California, on September 13, 1957.

The evidence on behalf of the United States consisted of a certified copy of the Selective Service record of the defendant on file in the office of Local Board No. 79 on stipulation of the parties and marked Plaintiff's Exhibit No. 1. The evidence on behalf of the defendant consisted of the testimony of the defendant and Defendant's Exhibit "A."

Defendant made an offer of proof as follows: That if the defendant and certain other witnesses who were designated as congregational servants, were permitted to testify as to the defendant's ministerial status, the testimony would show that every Jehovah's Witness has two congregations, one a geographical congregation which is that Witness' exclusive congregation, and the other a home congregation, in this case, the Delano congregation, eighty

in number, with three or four other servants, and that the testimony of these persons would be to explain the importance of the work of these servants, give a brief synopsis of their duties and to point out that in many instances the congregational servants are required to spend less time than is required of some of the other servants, and even some of the members who do not have servant status.

The offer of proof was rejected by the Court.

An examination of Exhibit No. 1 reveals, among other things, the following:

August 20, 1956, Local Board 79 classified defendant 1-A by a vote of 2 to 0.

August 21, 1956, Local Board 79 notified defendant of his 1-A classification (SSS Form 110).

August 31, 1956, Local Board 79 received a letter from defendant requesting a personal appearance before the appeal board, and a letter requesting an appeal.

September 10, 1956, Local Board 79 advised defendant that he would be notified when to appear before the Board.

September 20, 1956, Local Board 79 notified defendant to personally appear before the board on October 1, 1956.

October 1, 1956, defendant personally appeared before Local Board 79 and advised: That he became a member of Jehovah's Witnesses on March 1, 1953; that he is an ordained minister who devotes approximately eight hours a week to his ministerial duties and fifty hours a week to his job; and that he got married in June of 1956. After the interview, the board classified him 1-O by a vote of 3 to 0.

October 2, 1956, Local Board 79 notified defendant of his 1-O classification.

October 29, 1956, Local Board 79 sent defendant a dependency questionnaire.

November 8, 1956, defendant returned the completed questionnaire.

December 20, 1956, Local Board 79 mailed defendant a Special Report for Class 1-O Registrants explaining what is required of 1-O registrants.

December 31, 1956, defendant returned the uncompleted Report with the statement: "I cannot, according to my belief, accept any work offered me by the local board, unless it be with the Watchtower Bible and Tract Society \* \* \*."

January 24, 1957, Local Board 79 wrote to the State Director asking what type of work was available for 1-O registrants.

January 30, 1957, the State Director replied with a list of the jobs available and the salary of each.

February 26, 1957 Local Board 79 forwarded the information to the defendant, offering him three types of jobs.

March 11, 1957, defendant declined all of the offers, and stated he would decline any work which did not fit in with his religious duties.

April 25, 1957, Local Board 79 sent defendant's file to the State Director for review.

April 29, 1957 the State Director asked Local Board 79 to arrange a meeting of the local board, a representative of the State Director and the defendant.

May 7, 1957, Local Board 79 directed the defendant to appear for interview on May 23, 1957.

May 23, 1957, defendant met with the representative of the State Director, and the local board, and after interview, he signed a statement that he would not accept any position offered by the local board in lieu of induction.

July 11, 1957, file was sent by State Director to the National Headquarters requesting authority to order the defendant to perform work at the Los Angeles County Dept. of Charities in lieu of induction.

September 13, 1957, Local Board 79 ordered the defendant to report to the local board on September 24, 1957 for instructions to proceed to the place of employment.

September 24, 1957, defendant failed to report.

Defendant's Exhibit "A," the registration certificate was signed by the registrar for Local Board No. 77. The Selective Service file, Plaintiff's Exhibit No. 1, shows the selective service processing, subsequent to the registration, to have been done by Local Board No. 79. The registration card, SSS Form No. 1, apparently prepared at the time of registration and retained in the files of the local board, shows the registrar to have been "Nadine Maclin, Registrar for local board 77," as is shown on defendant's Exhibit "A," but the registration card also carries a stamped notation "Local Board No. 79, Kern County, September 18, 1951, 704 E. 21st Street, Bakersfield, California" at the place where it is indicated by printed direction "Stamp of local board of jurisdiction as determined by item 2, front of card." Item 2 on the front of the card is the address of the registrant. There is no reference to or explanation for the designation "Local Board 77" in the file or in Exhibit 1.



At the conclusion of the plaintiff's case, and again at the conclusion of the defendant's case, the defendant moved the Court for a judgment of acquittal, based upon the following grounds:

1. The local board denied defendant due process of law in that it never gave the required consideration to his claim and evidence for a IV-D classification.

2. Defendant was denied due process in that his classification was not reopened after he submitted the precise new and further evidence specifically requested of him by the local board, and further, he was thereby frustrated from securing an appellate determination on such augmented record.

3. The denial of the claim for exemption as a minister of religion by all of the draft boards, and each of them, is without basis in fact, arbitrary, capricious and contrary to law.

4. The denial of the ministerial classification is illegal, arbitrary, and capricious because the draft boards employed artificial standards in determining what constitutes a minister of religion within the meaning of the Act and regulations; and they did not follow the definition of the term used in the Act and regulations in determining the claim of the defendant as a minister of religion.

5. The denial of the ministerial classification by the draft boards was arbitrary and capricious in that they held that the performance of secular work by the defendant, alone, without determining whether it was his avocation and used his performance of secular work to defeat illegally his ministerial status because the undisputed evidence showed that he is not engaged in secular work as a main business but only incidentally to his main work of the min-

istry, and that, according to the Act and Regulations, he is regularly and customarily engaged in teaching and preaching the doctrines and principles of a recognized church, and pursues such preaching work as his vocation, and does not preach incidentally to his performance of any secular work; and therefore the draft board order is illegal, contrary to law and without basis in fact.

6. Defendant was denied procedural due process in that the local board failed to have available an Advisor to registrants and to have posted conspicuously or any place, the names and addresses of such adviser, as required by the regulations, and to defendant's prejudice.

7. The plaintiff has wholly failed to show that jurisdiction existed in the local board 79 empowering it to issue to defendant a valid order to do civilian work.

8. Defendant requested a personal appearance before the appeal board but this was refused.

It is my view that the evidence fails to support defendant's contentions under grounds 6, 7 and 8. Local Board 79 had jurisdiction to issue the order which defendant failed to perform. It is to be presumed that there was posted the names and addresses of advisers as required by the regulations, and this presumption was not overcome. Furthermore, no prejudice to the defendant was shown. There is nothing in the record to show that the local board refused any request for a personal appearance which the defendant made.

The other grounds revolve around the contention of the defendant that his case should have been reopened and that his claimed status as a minister should have been considered and that he was thereby denied due process of law and an administrative appeal. The regulations governing

the reopening of a classification are found in Part 1625.2, 1625.3 and 1625.4 of Title 32, Code of Federal Regulations. These regulations provide:

1625.2. *When registrant's classification may be reopened and considered anew.* The local board may reopen and consider anew the classification of a registrant (1) upon the written request of the registrant, the government appeal agent, any person who claims to be a dependent of the registrant, or any person who has on file a written request for the current deferment of the registrant in a case involving occupational deferment, if such request is accompanied by written information presenting facts not considered when the registrant was classified, which, if true, would justify a change in the registrant's classification; or (2) upon its own motion if such action is based upon facts not considered when the registrant was classified which, if true, would justify a change in the registrant's classification; provided, in either event, the classification of a registrant shall not be reopened after the local board has mailed to such registrant an Order to Report for Induction (SSS Form No. 252) unless the Local Board first specifically finds there has been a change in the registrant's status resulting from circumstances over which the registrant had no control.

1625.3. *When registrant's classification shall be reopened and considered anew.* The local board will reopen and consider anew the classification of a registrant upon the written request of the State Director of Selective Service or the Director of Selective Service and upon the receipt of such request shall immediately cancel any Order to Report for Induction (SSS

Form No. 252) which may have been issued to the registrant.

1625.4. *Refusal to reopen and consider anew registrant's classification.* When a registrant, any person who claims to be a dependent of a registrant, any person who has on file a written request for the current deferment of the registrant in a case involving occupational deferment, or the government appeal agent files with the local board a written request to reopen and consider anew the registrant's classification and the local board is of the opinion that the information accompanying such request fails to present any facts in addition to those considered when the registrant was classified or, even if new facts are presented, the local board is of the opinion that such facts, if true, would not justify a change in such registrant's classification, it shall not reopen the registrant's classification. In such a case, the local board, by letter, shall advise the person filing the request that the information submitted does not warrant the reopening of the registrant's classification and shall place a copy of the letter in the registrant's file. No other record of the receipt of such a request and the action taken thereon is required.

Defendant's contentions regarding the reopening revolve around the personal appearance before the Board on May 23, 1957 which was arranged following defendant's declination to perform any civilian work offered by the Board. At that hearing defendant presented three affidavits which appear on page 105 of Exhibit "1." The transcript of the hearing appears on page 110 of the Exhibit "1." The record is clear that the defendant made no express request that his classification be reopened. I find

nothing in the affidavits or in the transcript of the hearing which contains information which was not already before the Board and which the Board had not previously considered, and nothing which would justify a change in the registrant's classification.

The guilt of the defendant of the offense set forth in the indictment has been proved beyond a reasonable doubt. Accordingly, I find the defendant guilty of the offense set forth in the indictment.

I order and direct the defendant to appear before this Court on May 26, 1958, at the hour of 10:00 A.M. for the pronouncement of sentence. I further direct that the Probation Officer make a pre-sentence investigation and file with the Clerk of this Court a report on or before May 26, 1958 at 10:00 A.M.

The Clerk of this Court is directed to forthwith mail copies of this order to the defendant, counsel for the plaintiff and the defendant and to the Deputy Probation Officer at Fresno, California.

Dated: May 7, 1958.

GILBERT H. JERTBERG,  
*Judge, United States District Court.*



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United States Court of Appeals  
FOR THE NINTH CIRCUIT.

---

No. 16,139.

---

ROY VERNON SHAW,  
*Appellant,*

vs.

UNITED STATES OF AMERICA,  
*Appellee.*

---

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE  
SOUTHERN DISTRICT OF CALIFORNIA, NORTHERN DIVISION.

---

**APPELLANT'S REPLY BRIEF.**

---

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**APPELLANT'S REPLY BRIEF.**

---

**APPELLEE'S ARGUMENT IS**

1. Shaw's written communications did not *expressly* request a reopening;
2. Shaw's evidence was not *new evidence*;
3. Shaw's argument that the local board did not inform him of its refusal to reopen was not made to the trial court and, besides, the local board was not required to so inform him.

## APPELLANT'S REPLY IS

### 1.

#### An Express Request for a Reopening of a Classification Is Not Necessary.

In the first place, selective service registrants are not to be treated as litigants in an adversary proceeding.

*Cox v. Wedemeyer*, 9 Cir., 192 F. 2d 920, 923.

Additionally, they are to be given the benefit of any doubt that exists concerning compliance with procedural requirements, and the courts have so held even in habeas corpus situations:

*Talcott v. Reed*, 9 Cir., 217 F. 2d 360, 363;  
*Berman v. Craig*, 3 Cir., 207 F. 2d 888, 891;

citing

*Chih v. U. S.*, 1st Cir., 142 F. 2d 919, and others;  
*U. S. v. Derstine*, 129 F. Supp. 117, 120;  
*U. S. v. Hufford*, 103 F. Supp. 859, 862.

Also see

*Brown v. U. S.*, 9 Cir., 216 F. 2d 258, at 260.

Finally, courts have already expressly held that a specific request, in a variety of selective service circumstances, is not necessary. *Townsend v. Zimmerman*, 6 Cir., 237 F. 2d 376

“The communication of the information by Townsend to the draft board chairman of his change of status [oral, see page 377] was tantamount to a request that

his classification be reopened. Under the circumstances of this case it was not necessary that a more formal request be made. Cf. *Ex parte Fabiani*, D. C. E. D. Pa. 1952, 105 F. Supp. 139, 148." (378).

*U. S. v. Howe*, 144 F. Supp. 342, 344.

*Ex parte Fabiani*, 105 F. Supp. 139, Judge McGranery:

"The fact that petitioner never "specifically" requested the reopening of his case is unimportant." (148).

## 2.

### **Shaw's Evidence Was "New Evidence" of New Status.**

In the Opening Brief we argued that evidence of *new status* was presented by Shaw's communications.

Appellee's argument, in this as in all its phases, leans heavily on the trial court's findings. These findings can rest only on the record.

With respect to this point as well as all others involved, appellant is asking this court to find that the record does not support the trial court's findings.

The record indisputably shows that Shaw became a *servant* and soon afterwards was given even greater ministerial responsibilities (Exs. 100, 105, 105A, 109). What does appellee say about this in Appellee's Brief? Appellee relies partly on the conclusion of the trial judge (16) and partly on its own argument.

And what does appellee argue? That Shaw considered the affidavits as character references. Shaw's selective service status is determined by his evidence; the effect of his evidence is not limited to his limited understanding of selective service law. A registrant presents facts; the Selec-

tive Service System has the duty of correctly classifying. The registrant is not required to know the classification significance of all his evidence.

There can be no question that registrants' classifications are to follow changes in status, barring cut-off date problems. There being no cut-off problem here, the only question is: Was there a *seeming* change of status? As argued in the Opening Brief the question *Was there a change of status?* is an administrative one *with appellate rights*. It is not one we are concerned with here unless it is considered that the evidence is so flimsy that no one could possibly disagree on the point.

Here, there was such a substantial difference between the two statuses that Shaw was entitled to the opportunity to ask for an administrative appeal. Many arguments by analogy can be made. One by the Seventh Circuit in *Hull v. Statler*, 151 F. 2d 633, suppose a lawyer be appointed a judge.

Where is the line where one of Jehovah's witnesses ceases being one of the flock and becomes one of the shepherds?

The decision can often be difficult. See *U. S. v. Wasserman*, 128 F. Supp. 759, at 763. Although the court's decision in the Wasserman case was adverse to the claim, the reasoning (citing *Estep v. United States*, 66 S. Ct. 423) was sound, particularly that it is an administrative decision. Also *U. S. v. Steinhart*, 129 F. Supp. 594, 597.

It is submitted that the evidence of change of status was of sufficient amount to justify appellate administrative opportunity.

**The Local Board Was Required to Inform Shaw of Its  
Rejection of His New Evidence; and This  
Point Was Before the Trial Court.**

The above proposition, in inverse order:

The trial court's Order for Judgment (see page 8 of Appendix to Appellee's Brief) quotes 32 C. F. R., Sec. 1625.4, in full. This regulation, in part, says:

"In such a case, the local board, by letter, shall advise the person filing the request that the information submitted does not warrant the reopening of the registrant's classification and shall place a copy of the letter in the registrant's file."

Also see page two of said Appendix: Ground number 2 of the motion includes the above proposition.

Appellee's argument that the board is not required to obey the regulation is no more than a referral to one already made:

"This contention must also fail because there is no written request to reopen appellant's classification. We hereby incorporate our argument given in Point Two above on the necessity and absence of a written request to reopen in order to come within the purview of this regulation." (page 18 of Appellee's Brief).

Finally, appellee distinguishes the cases presented by appellant and concludes they are not "binding or controlling". All this can be conceded. The point is new to this court but similar problems have already been decided, and

were presented to aid in the decision of how much due process protection is to be given selective service registrants.

Respectfully submitted,

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No. 16141  
IN THE  
**United States Court of Appeals**  
FOR THE NINTH CIRCUIT

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THE COLEMAN COMPANY, INC., a corporation,  
*Appellant,*  
*vs.*

HOLLY MANUFACTURING COMPANY, a corporation,  
*Appellee.*

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**Opening Brief of Defendant-Appellant The  
Coleman Company, Inc.**

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**Explanation of References to Record.**

There are two separate Transcripts of Record, of confusingly similar appearance. One is numbered 14711 and is designated as being in three volumes. It relates to an original trial of the issue of patent infringement. One of the three volumes consists of exhibits. It is already before this Court as part of the record on an earlier appeal. The parties have stipulated that the exhibits may be considered in their original form, and the third volume has not been reproduced.

The second record is the present one, numbered 16141. It consists of five volumes and relates to all proceedings since the original trial, including a contempt hearing, a trial of an accounting issue before a Special Master, and final proceedings before the Trial Court.

References to the original record appear below as "Orig. R." and to the subsequent record as "R."

References in this brief to the exhibits specify the proceedings in which they were received.

### Jurisdictional Statement.

This is an appeal from a final judgment of \$2,508,-642.73 in a patent infringement action arising under the patent laws of the United States (Title 35, U. S. C.). The judgment appealed from was rendered on June 30, 1958, by Judge Wm. Mathes of the United States District Court, Southern District of California, Central Division.

The case was before this Court previously (*Coleman Co. v. Holly Manufacturing Co.*, 233 F. 2d 71) when an interlocutory decree adjudging infringement was affirmed. Subsequently the damage issue was tried below, and the present appeal for the first time seeks a review of the damages assessed against defendant-appellant Coleman.

The judgment of June 30, 1958, also made final an interlocutory decision that held defendant-appellant in contempt of the injunction which was entered by the trial court following the previous appeal. A review of the finding of contempt is also sought. No review of the original finding of validity or infringement is sought or expected.

### Statement of the Case.

A full statement of all relevant facts, with complete references to the supporting record, is contained in the following sections of this brief in connection with the separate legal issues to which they pertain. In order to avoid needless repetition and, at the same time, to afford this Court the background necessary for consideration of the legal propositions hereinafter urged, at this place we present merely a brief summary of the basic facts.

The suit at bar is one seeking damages for patent infringement, instituted by plaintiff-appellant Holly Manufacturing Company ("Holly") against defendant-appellant The Coleman Company, Inc. ("Coleman"). Holly's patent



(Hollingsworth Patent No. 2,602,441) relates to a kind of room heating device known as a gas wall heater. This type of heater is installed in the wall of a room between the studs, and contains a gas burner for supplying heat. In the operation of such a device, air is drawn from the room, heated by the device and then returned to the room for heating purposes. The gas wall heater industry was well established long prior to the patent in suit, such heaters being manufactured and sold by many different companies [Orig. R. 542].

Prior to the Holly heater, most gas wall heaters utilized a single heating chamber. Some, however, such as the "Royal Jet" heater [R. 1596], had two heating chambers, one above the other, the lower chamber commonly being referred to as the primary heater, and the upper chamber being referred to as the secondary heater or "economizer." The primary heater surrounds the burner and receives its heat therefrom, while the economizer surrounds the flue and is heated by the hot gases as they are discharged through the flue. The Holly heater includes both a primary heater and an economizer arranged in such a way that the economizer is supplied with air from the *wall spaces* around the back and sides of the primary heater. This particular arrangement—with the economizer receiving its air from the lower wall spaces surrounding the primary heater—had not previously been employed in gas wall heaters having economizers (such as the Royal Jet heater), nor had it been used in other heating devices, such as fireplaces, which involved two heating chambers.

Holly originally attempted to obtain a patent covering broadly any combination in a gas wall heater of a primary heater with an economizer. This broad claim, however, was rejected by the Patent Office on the ground that there was no invention in merely adding an economizer to a gas wall heater. All claims of the Holly patent application were thereupon restricted to the specific combination de-

veloped by the Holly engineers, namely, *a combination wherein the economizer was designed to receive its air from the spaces within the wall but outside of and surrounding the lower heater* (Part III(4), below).

In the operation of the Holly device, air is taken in near the floor level, *rises through the wall spaces surrounding the lower heater*, enters the secondary heater or economizer, and is then returned to the room (Part III (4) (5) (8)). As with any secondary heater or economizer, the air passing into and through the economizer absorbs heat from the flue, and this warmed air is then utilized for room heating purposes, thereby “economizing” heat. The use in Holly’s economizer of lower wall space air, as described in Holly’s patent, is claimed (and has now been adjudicated herein) to provide certain additional advantages, principally a further improvement in efficiency and cooler walls around the economizer.

Coleman’s heater, which likewise employed an economizer, contained a large grill or opening *above* the lower heater through which air was introduced into its economizer directly from the room—air, that is, which had *not* first risen through the wall spaces surrounding its lower heater in accordance with Holly’s patented combination. Coleman’s combination, utilizing this noninfringing room air, was constructed in accordance with its own Giwosky patent No. 2,767,702 [Accounting Ex. B; reference No. 20 on this exhibit shows the grill; Part III (8), below]. Coleman’s lower heater and upper economizer were not, however, hermetically sealed where they joined one another. By virtue of the inherent characteristics of air, therefore, a certain amount of air from the wall spaces surrounding the lower heater (“infringing air”) did seep into Coleman’s economizer.

The initial trial of this case involved two issues, namely, whether or not Holly’s patent was valid, and if so, whether Coleman’s heater infringed it. Upon the latter issue, the

controversy necessarily resolved itself to the question of whether or not Coleman's economizer received a sufficient amount of lower wall space or "infringing" air to affect its operation, Holly having conceded that if Coleman's economizer utilized no lower space air,\* or so insubstantial an amount of such air that its operation was not affected thereby, it could not be adjudged guilty of infringement.\*\* At the original trial there was a direct evidentiary conflict on this point, Coleman's experts insisting that only approximately 4 per cent of its economizer air originated fortuitously from the lower wall space, whereas the testimony of Holly's expert placed the quantity of infringing air in Coleman's economizers as from 23 to 57½ per cent [Orig. R. 226-227; Summary of Argument (a), below]. The Trial Court accepted the calculations of Holly's expert, and, after first sustaining Holly's patent as valid, held that Coleman's heater infringed the patented combination. Upon the former appeal of the case, this Court, while recognizing the existence of conflicting evidence on this issue, declined to disturb the Trial Court's finding, sustained the Trial Court's judgment in its entirety, and remanded the cause for trial of the accounting issue.

When this Court's mandate issued, the Trial Court's original injunctive decree became final. Coleman then had on hand a small stock of completed heaters which could not be sold in their then condition without violating the

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\*During the same period here involved, Coleman manufactured, used and sold wall heaters identical to its "infringing" heaters except that they were equipped with a fan or "blower" at the bottom of the economizer, whereby room air was drawn into the economizer *from the top of the room*, sucked down through the economizer, and discharged into the room from the economizer's lower end. It has never been contended by Holly that these blower-equipped heaters—although employing the standard heater-economizer combination—infringed its patent [R. 1616-1620, 1757-1758].

\*\*See R. 710.

injunction. In order to be permitted to dispose of its stock of old heaters (preparatory to introducing its newly designed line of non-infringing wall heaters), Coleman constructed a metal air diverter or "chute" for attachment to its remaining old heaters, which chute was designed to eliminate leakage of infringing air into its economizer (Part IV, below). Shortly after Coleman commenced disposing of its stock of existing heaters provided with the newly designed chute, Holly caused summary contempt process to be served upon Coleman. At the contempt hearing, the uncontradicted evidence established that with the "chute" attached Coleman's economizer received a maximum of 1.3% of its air from the lower wall space—as contrasted with the 23% to 57½% figure upon which the original infringement decree was based. Although Holly expressly conceded that unless sufficient infringing air entered Coleman's economizer to affect its operation the principle *de minimis* applied, and although no evidence was introduced that operation could be affected by a mere 1.3% of infringing air, the Trial Court held Coleman guilty of contempt (Part IV, below).

Thereafter the accounting trial was held before United States Commissioner Theodore Hocke, acting as Special Master. Following a twelve day trial during which the Special Master saw and heard the witnesses, he made complete findings. These findings, however, were rejected almost in their entirety by the Trial Court which disregarded the master's recommendations and rendered judgment against Coleman, upon a completely different basis, for \$2,508,642.72 as damages, attorney's fees, and costs. This was more than three times the amount of damages recommended by Master. *Inter alia*, although the Special Master expressly found that Coleman had acted in good faith and should not be subjected to punitive damages for patent infringement, the Trial Court found upon the same evidence that Coleman was guilty of bad faith,

and awarded penal damages, including attorney's fees, exceeding a half million dollars. This finding was contrary to the admission of Holly's only witness on the good faith issue (Part III(5), below).

The questions involved, each being raised by a consideration of the whole evidence on appeal from the final judgment, are:

1. Whether the evidence supports the award of damages.
2. Whether the evidence supports the award of exemplary damages and attorney's fees.
3. Whether the evidence supports the judgment of contempt.
4. Whether the record justifies entry of a lawful judgment upon direction of this Court.

### Specification of Errors.

Appellant designates the following errors:

1. The evidence does not support the award of purported lost profits, or any award except of reasonable royalty, for the reason that appellee failed to prove lost profits or any actual damage, and the evidence does not support the underlying Findings IV, V, VIII, X, XI, and XIII.
2. The Court erred in equating appellee's alleged lost profits and damages with appellant's sales as in Finding X.
3. The evidence does not support Finding XXII that appellee sustained damages of \$280,000, or \$483,553.93, or any damage on account of forced price reductions, increased selling expenses, or curtailed market expansion, and does not support the award of damages therefor.
4. The evidence does not support the finding that appellant acted in bad faith as found in Findings XXIII, XXIV, and XXVI, and thus does not support the award of penal damages and attorneys' fees.

5. The evidence does not support the findings that appellant was guilty of contempt as found in Findings XXIII and XXVIII, or the award of penal damages, attorneys' fees, and expenses in contempt as in and upon Findings XXV and XXVII.

6. The Court erred in computing the contempt damages because paragraph 5 of the judgment awards \$20,-265.98 in excess of the supposedly supporting Finding XXV.

7. The Court erred in not rendering judgment in accordance with the undisputed evidence establishing the amount of a nominal or reasonable royalty. It also erred, however, in Finding XXIX wherein the finding of the Special Master that 6 per cent of sales was a reasonable royalty, was adopted by reference. Appellant excepted to this finding as being unsupported by the evidence (Fourth Exception). The Court adopted it by reference but did not base the judgment thereon.

To insure compliance with Rule 18, paragraph 2(d), appellant makes the following supplemental specifications:

a. The Trial Court erred in sustaining Holly's objection to the Special Master's finding that Coleman acted in good faith and that no punitive damages should be awarded.

b. The Trial Court erred in not specifically holding, as requested in Defendant's First Exception, that the Special Master acted contrary to law when he awarded Coleman's profits to Holly while, at the same time, holding that actual damages could not be ascertained.

c. The Trial Court erred in failing to hold, as requested in Defendant's Third Exception, that the alleged damages due to reduced profit margins and lost sales were not susceptible to numerical computation.

d. The Trial Court erred in sustaining Holly's objection to the Special Master's finding that the evidence did not permit the conclusion that Holly would have made Coleman's sales but for the infringement.

e. The Trial Court erred in assuming, without evidentiary basis therefor, that the Special Master's Finding XI respecting the sales features of the Holly and Coleman heaters were related to Holly's patented feature and that the Master's finding in this regard provided any basis for an inference that Holly would have made Coleman's sales but for the infringement.

### Summary of Argument.

On the previous appeal this Court reviewed the question of whether the Coleman heater infringed Holly's patent, but declined to disturb the finding of the Trial Court which resolved the conflict of evidence on the point in favor of Holly. In referring to Coleman's position that the economizers of its heaters were supplied with air directly from the room rather than from the wall spaces surrounding the lower heater, this Court stated (233 F. 2d 71, 83):

"It [Coleman] admits that the amount of air that enters 'either the 4-foot or 3-foot economizer from the space around the lower heater is a matter of direct dispute.' The lower court quite evidently refused to accept the version of appellant on this particular fact question and we find no reason to quarrel with this decision."

#### a. REVELATION THAT ORIGINAL EVIDENCE BEFORE THIS COURT WAS MISTAKEN AND INCORRECT.

We believe the Court will find this case to be one of the most remarkable, in many respects, that has come before it.

Particularly because of the finding that Coleman acted in bad faith, which directly resulted in the huge award of

penal damages—and which probably accounts for most of the other findings—it is important to note that the original evidence before the Court at the time infringement was found is now revealed to have been the product of mistake and as being grossly contrary to the facts (Part III(2), below). While it is unfortunately too late to assail the original evidence insofar as it establishes the absence of infringement, it is necessary to appraise it on the accounting issues and it first became material for that purpose in the present proceedings.

The key feature of Holly's patented heater, without which Holly concedes that there would have been no infringement by Coleman, is that all of the air utilized in the upper chamber of Holly's heater, known as an economizer, is drawn from the wall spaces behind and at the sides of the lower part of the heater and thus from outside the heater. It is air that has followed this path into the economizer which is infringing air. It is conceded by Holly that there would have been no infringement of its patent if such air did not enter the Coleman economizer [R. 1182-1183, 1191, 710]. It was further conceded by Holly that if the amount of air entering the Coleman's economizer from the lower wall spaces was so small as not to affect the operation of the heater the rule *de minimis* would apply [R. 710].

At the original trial of this action, resulting in the finding of infringement, Coleman's evidence was that only about 4% of the air in the economizer came from the infringing source [Orig. R. 395, 406], and that it made no contribution to the efficiency of the heater [Orig. R. 406], but it was rejected by the Trial Court. Holly's evidence at that time, given by a Mr. Landsberg, was that a very large quantity of the so-called infringing air entered the economizers of the Coleman heaters. This supposed volume of infringing air was calculated by him as being between 23% and 57.5% of all the air in the



Coleman economizers, depending upon the particular type of heater being tested (Part III(2), below).

Holly's expert witness reached this mistaken conclusion by measuring the air emitted from Coleman's economizers and deducting therefrom the only source of non-infringing air which was then known to him. It was his erroneous assumption that there were only *two* sources of air into Coleman's economizers, one the infringing source and the other from the outside atmosphere of the room directly into the economizer (Part III(2), below), which assumption was not at that time conclusively demonstrated to be incorrect by the expert then representing Coleman. It was this error by Holly's expert which caused the extreme variation of his testimony from that given at all times by Coleman's witnesses. It happens that the Trial Court originally accepted Holly's mistaken evidence and predicated its finding of infringement thereon.

It is now a demonstrated and uncontradicted fact that there was another, large, and previously overlooked source of *non-infringing* air into the Coleman economizers, inside the heater. This revelation obviously invalidates all of the computations and deductions of Holly's expert at the original trial, and the latter has now frankly admitted so as a witness herein (Part III(2), below).

The actual amount of infringing air entering Coleman's economizers did not exceed 3.1% of the total air in them [R. 1592-1594, 1749-1751], was a mere incidental leakage, and did not affect the operation of Coleman's heaters in any respect (Part III(3), below), which is what Coleman has always contended.

None of these facts has been disputed in the *present* proceedings.

In this connection the Court will have in mind the fact that Holly is itself in the heating industry, with its own engineers, present in court, and with its own testing

facilities, having possession of Coleman heaters for testing, and that it necessarily would have challenged any error on such vital subjects. It must therefore be assumed that disputable facts which are part of the fabric of the case would have been disputed, so that the absence of dispute is of more than merely legal significance.

The finality of the original decree adjudging Coleman in infringement is not questioned. This background of the case is vital, however, because of its bearing upon the issue of good faith, on the issue of the value of a reasonable royalty, and more generally upon the equitable position of Coleman in this case.

#### b. BASIS OF THE JUDGMENT.

Under the present patent damage statute there are two approaches to the damage issue: (1) proof of actual damages, if any, or (2) proof of the value of a reasonable royalty: *Faulkner v. Gibbs*, 199 F. 2d 635 (9th Cir., 1952).

Holly chose to try the issue solely upon a claim of actual damage and offered no evidence as to reasonable royalty. All evidence on that subject was offered by Coleman and was not disputed (Part V, below).

The basic finding of the Trial Court—directly opposite to that of the Special Master—was that Holly would have made *all* of Coleman's sales had it not been for the infringement, and that Holly's sales would accordingly have been increased by \$7,635,062.00 but for the infringement (Part I, below). To this gross amount of Coleman's sales the Court applied an unsupported estimate that Holly's profits on its patented wall heaters were 19% of its sales, and made a basic award of \$1,450,661.78. Holly did not support this 19% figure with any accounting records, or with any other records (Part I(3), below).

To this figure, representing Holly's assumed profits on all of Coleman's sales, the Court added the sum of \$483,553.93, being an additional 33⅓% "to provide full compensation" for the supposed actual damages.

(These awards, totaling \$1,934,215.71, were made without proof of a *single* lost sale.)

To the basic figure also, upon a finding of bad faith which was opposed to all of the evidence on that issue (the Special Master who saw and heard the witnesses found that there was *good* faith), the Trial Court added another 25%, or \$362,665.45, as punitive damages.

Upon the same finding of bad faith the Court awarded \$130,000.00 as general attorneys' fees, and an additional sum equal to twice Coleman's profits on sales made after finality of the original decree, or \$69,483.38. The Court also awarded \$9,269.77 as attorneys' fees and expenses in connection with the contempt proceeding.

c. HOLLY'S DAMAGE CANNOT BE EQUATED WITH COLEMAN'S SALES ON THE FACTS OF THIS CASE.

For several reasons this is not a case in which the patent owner's loss, if any, can be equated with the infringer's sales. It is conceded that this may be done when a patent owner can show that he would have made the infringer's sales had the latter not done so. But to make such proof the patent owner has the burden of showing that there is a special need or demand for his product which can be satisfied only by his product and the infringer's: *Power Specialty Co. v. Connecticut Light & Power Co.*, 80 F. 2d 874 (2nd Cir., 1936). There is no presumption to this effect, but strict proof is required (Part I, below).

No attempt was made to show the existence of any demand among house builders or the general public for Holly's particular type of wall heater as distinguished

from wall heaters manufactured by strangers to this action. Thus the judgment, which is based upon the unsupported assumption that Holly would have made Coleman's sales but for the infringement, is without foundation or support. The Special Master found that Holly would *not* have made all of Coleman's sales (although it would probably have made some indeterminate portion of them) and computed damages upon a different basis [Part I, below; Report of Special Master, R. 52-53].

The closest approach made by Holly to proof of any lost sales was evidence of its percentages of the national wall heater market before, during and after the infringement. Even disregarding all of the many factors which would cause fluctuations in such matters, and even assuming that Coleman's infringing competition was alone responsible, these figures conclusively refute the Trial Court's basic assumption that Coleman's competition prevented Holly from making all or even substantially all of the former's sales. During the whole period of infringement Coleman maintained approximately 11% of the national market [R. 1625, 1630; Holly made a graph of its interpretation of the record showing the comparable figure of approximately 9%, R. 322]. Of this, approximately 9% represented sales of the infringing heaters [Holly's graph, R. 322]. It will be seen that at no time did Holly suffer a comparable reduction of sales as compared either with its pre-infringement volume or its post-infringement volume (Part I, below).

Holly's percentage of the national market according to its own figures was 19.1% in 1951 before Coleman manufactured the infringing heater. After Coleman stopped manufacturing that heater Holly's percentage of the national market rose to 20%, or an increase of less than 1% (viz. 0.9%). In the years between, when Coleman was selling the infringing heater, Holly's percentages of the national market were: 1952-18.8%; 1953-14.6%;

1954-17.5%; 1955-17.7%; 1956-17.7%<sup>1</sup> [Orig. R. 542; Accounting Ex. 47].

Thus the fluctuations and reductions of Holly's share of the national market, compared with its *pre*-infringement share (19.1%), were: .3%, 4.5%, 1.6%, 1.4%, 1.4%. Compared with its *post*-infringement share of the national market (20%) [Accounting Ex. 47], Holly's hypothetical losses from Coleman's competition, disregarding all other factors, were: 1.2%, 5.4%, 2.5%, 2.3%, 2.3%.

Holly's average loss on this hypothesis was 1.84% of the national market based on its *pre*-infringement share, and 2.74% based on its *post*-infringement share.

Thus, in awarding Holly Coleman's share of the national market based on sales of infringing heaters only (and even disregarding the additional \$483,553.92 "to provide full compensation"), *the Trial Court awarded Holly between three and five times the maximum loss which could possibly be deduced from Holly's own evidence.*

It has been assumed in the foregoing, solely for the sake of argument, that fluctuations in Holly's volume were caused by Coleman's infringement. As appears below (Part I), however, it is impossible to make such an assumption as a fact.

There was no other evidence purporting to equate Holly's alleged losses with Coleman's sales. If such evidence as is in the record is to be used as a basis of computation and all factors other than Coleman's competition are illogically to be disregarded, it is evident that the fluctuations in Holly's percentage of the national market rather than the whole of Coleman's percentage of the national market must be so employed. Taking the higher

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<sup>1</sup>When Holly's percentage went down the number of competitors in the field had gone up (Part I, below).

fluctuation, that between Holly's post-infringement percentage (20%) and its percentage during infringement, the loss computes, as found by the Special Master, at approximately \$400,000, rather than the \$1,450,661.78 *plus* \$483,553.93 found by the Trial Court [Report of Special Master, R. 50-51].

It is apparent, however, that even this approach to the damage issue is fallacious because fluctuations in the total volume in the national market, together with variations in the number of competing companies shown to have occurred from year to year, and a great variety of unspecified factors, cause percentagewise fluctuations of an individual company to be without significance. Figures introduced by Holly indicate that this was the situation here, as its output substantially increased during the period of infringement (Part I, below). Furthermore, such an approach to the damage issue substitutes inference and conjecture for the required proof of the existence of a demand for Holly's particular heater. *Also, the fact that Coleman's percentage of the national market remained virtually constant during and after infringement shows that if Holly lost any customers they did not come to Coleman* (Part I(2), below).

Finally, Coleman maintained distributing facilities throughout the United States; it had distributors covering every state in the Union, with more than one distributor in many areas, whereas there were parts of the country in which Holly had no outlets at all [R. 1628-1631; Part I below]. A Coleman witness testified without contradiction from Holly that Coleman never heard from Holly in any of the rural areas throughout the country [R. 1629], again showing that it is impossible to conclude that Holly would have made all of Coleman's sales under any circumstances. Furthermore, Coleman sold a complete line of heating products, giving it a competitive advantage over a manufacturer of only one or two

products, such as Holly [R. 1628-1629]. These facts, Coleman's established name in the industry, and its established sales organization, account for the constancy of its share of the National Market, and show that it competes with Holly *whatever* wall heater Coleman produces. This is readily understandable. The Court will no doubt judicially recognize the fact that the vast majority of wall heater purchasers would select the same by such considerations as appearance, the name of the manufacturer, relationships with the dealer, or price, and that it would be very rare indeed to find one who made his selection because of any awareness of the air passages within the heater. Customer demand for the Holly heater, the Coleman heater, and each of the many other competing wall heaters manufactured by other companies, could not possibly have been predicated even in part upon public knowledge or even awareness of the source and route of the air *inside* the heating device. And without such a class of persons it is obvious that there can never have been a specific demand for Holly's heater as distinguished from any of the numerous competitive wall heaters which lacked Holly's patented feature. It is again impossible to conclude that Holly would have made Coleman's sales but for the infringement.

It is, therefore, apparent that for many reasons it is not possible merely to assume that Holly's damages can be measured in terms of Coleman's sales, and the judgment, which requires that assumption to sustain it, is without support.

- d. THE EVIDENCE CONCLUSIVELY SHOWED THAT COLEMAN ACTED IN GOOD FAITH, AND THE SPECIAL MASTER SO FOUND.

The Trial Court found that Coleman acted in bad faith and assessed exemplary damages which, with attorneys' fees allowed upon the same finding, exceeded a half million

dollars. The Special Master, who alone heard the witnesses on the good faith issue, found that Coleman acted in *good* faith, and this is the only conclusion the record will sustain (Part III, below).

As noted in (a), above, it is now an undisputed fact that the case actually involves a mere useless leakage of infringing air into Coleman's economizer rather than the major flow erroneously assumed at the time of the original trial. This was a known fact throughout the present proceedings when the damage issue was tried.

Thus the issue is not whether Coleman acted in bad faith in appropriating a large quantity of useful infringing air, which it was originally assumed to have done, but whether it was guilty of bad faith in failing to eliminate altogether a mere leakage of such air, now shown by uncontradicted evidence to have been useless (Part III(3), below). It is inconceivable that there could possibly have been bad faith on such facts, even apart from the direct testimony on the subject. The evidence shows that Coleman's engineering problem was not how to use the infringing air but how to eliminate it (Part III(5), below), and it was eliminated except for inconsequential leakage.

Dramatic, indeed, was the incident discussed under subsection "a" of this summary (and in Part III(2), below) when it was conclusively demonstrated during the trial below that the original testimony of Holly's expert Landsberg, regarding the quantity of infringing air in Coleman's economizer, was wholly inaccurate. Equally spectacular, however, was the explosive failure of Holly's single attempt affirmatively to prove bad faith.

In its effort to prove bad faith at the trial before the Special Master, Holly called, as a surprise witness from Milwaukee [R. 1310], a Mr. Dean Olds, formerly a Coleman engineer in charge of the department which developed the infringing heater but at the time he testified a consultant for the company which merged with Holly



[R. 1291]. Minutes of the New Products Committee of The Coleman Company of August 14, 1952, were received in evidence [R. 1244-1245]. These minutes, quoting Mr. Olds, said in part: "He mentioned he had recently received the patent information on the Holly units similar to our economizer and after a careful review he was of the opinion our present economizer would infringe on their patent" [p. 10-a of Ex. 19; R. 1245]. Mr. Olds testified that the chairman of the committee "not only instructed me to go ahead, but when I asked what situation we might be in in the event of an issuance of the patent to Holly, he told me that he would take care of that matter when it came up" [R. 1251-1252]. This was the state of the evidence on the issue of bad faith when Mr. Old's direct examination ended.

Upon cross-examination the witness was confronted with two letters he had written to Mr. Horace Dawson of Chicago, Coleman's patent attorney, after he had originally formed the above opinion but still before Coleman's heater was placed on the market. He then admitted that his original opinion had been formed *before* he saw the Holly patent file wrapper; that after he had seen it he changed his mind, concluded that the Coleman heater did *not* infringe the patent, and advised the patent attorney in great detail of his reasons for so concluding (Part III(5), below). The information which he gave in writing to the patent attorney was that air entering the economizer from Holly's source overheated the heater; that it was necessary to eliminate Holly's air to make the heater function; that to do this he had devised a baffle which he called the "air stopper"; that in his opinion the Holly patent did not cover mere leakage, and that all but this had been eliminated in the Coleman heater. It was his written opinion that it was "not necessary to assure an air tight joint in order to distinguish from the claims" of the patent (Part III(5), below).

He had so much trouble with overheating from the escape of Holly air into the economizer, before he reduced it to the minimum, that he concluded that Holly obtained American Gas Association approval of its heater only because that agency did not know how to test it, and had not done so carefully (Part III(5), below).

Old's final opinion, as written to Coleman's patent attorney, was: "I feel that we definitely do not infringe"; and that we (Coleman) "certainly would not care to build our units in the manner described in the patent" (Part III(5), below).

Undoubtedly Coleman's conduct was not wilful in the sense of being in bad faith. There was no intention to appropriate Holly's invention, but just the reverse. The fact that it has been judicially and finally established, upon mistaken evidence, that Coleman *intentionally* infringed Holly's patent, does not establish *bad faith* (Part III(10), below), and the Trial Court did not purport to base its finding of bad faith upon the prior adjudication of intent. The uncontradicted evidence demonstrates that Coleman believed it did not infringe. It could not have foreseen that an action for infringement would eventually be prosecuted upon an erroneous state of facts in which the characteristics of its heater would be overlooked. (It should be noted that at the original trial Coleman's evidence did show that the actual amount of infringing air in the economizer was as it is now known to have been, but it did not then conclusively invalidate Holly's mistaken evidence by visually demonstrating the existence of the overlooked, noninfringing passage.) The fact that it has been found to have acted intentionally, as necessarily it did, does not suggest that it acted in bad faith for it clearly acted in the belief that it did not infringe (Part III(10), below).

The difference between *intentional* infringement (as infringement may later be found by a court) and *bad faith* infringement is illustrated by the following passage

from the January, 1953, letter from Mr. Olds to Coleman's patent attorney, in which he concluded that Coleman did not infringe but had best prepare for suit:

"Furthermore, in view of the fact that I feel that we definitely do not infringe, and certainly would not care to build our units in the manner described in the patent, I do not believe that we would be willing to pay any very excessive royalty. On the other hand, as you would judge, the Coleman Company has every interest in recognizing a legitimate patent and would rather support patents than to attempt to destroy them. This, then, is about the situation as I see it. I think we should prepare for suit.

"Quite naturally, however, a great deal of our future thinking will be governed very strongly by your opinion" (Part III(5), below).

Here is conclusive proof that Coleman, while intentionally standing upon what it deemed to be its rights, did so without bad faith, and intending to be guided by its patent counselor.

Holly offered no evidence other than that given by Mr. Olds upon his direct examination to prove bad faith, but Coleman established its good faith by two additional unassailable methods.

Mr. Horace Dawson, Coleman's patent counsel, testified that he had advised Coleman before its heater was put on the market that there was in his opinion no infringement of the Holly patent. His letter to Holly, written at that time and reiterating that opinion, is in evidence. He gave this advice having in mind the possibility of a leakage of Holly's air into the economizer. There is nothing to suggest that Coleman did not accept and act upon this advice in good faith. Bona fide reliance upon legal advice that there is no infringement is a strong circumstance showing good faith (Part III(7), below).

At the time of the original trial Coleman had applied for a patent on its own heater economizer combination. Subsequently that patent, known as the Giwosky patent, was issued. Coleman manufactured its heaters according to the design of the Giwosky patent (Part III(8), below). Although it was declared upon the basis of the mistaken evidence, and when it was erroneously assumed that Coleman was taking and using large quantities of infringing air from the wall spaces, that Coleman's heater combination differed only in "immaterial details," proof of the truth was still open on the issue of good or bad faith. The truth is that the principles of the Holly and Giwosky patents, and thus of the Holly and Coleman heaters, are fundamentally different (Part III, below). As has been pointed out above Coleman did not want Holly air. It eliminated substantially all of it, and took 97% of its economizer air from non-infringing sources.

The Holly patent provides that the Holly heater shall take 100% of its air in its economizer from the wall spaces outside its lower box, which air entered the wall spaces at the floor level (Part III(4), below). Coleman, on the other hand, took none of its air from that source except the leakage which did not exceed 3.1% of the total. Instead, it took its economizer air from another source, bringing the air in through a grille located at the top of the lower box and *directly from the room into the economizer* (Part III(5), (8), below). *The Giwosky patent was issued by the Patent Office after a full consideration of the Holly patent and other representative patents of the prior art.* The fact that an infringer has developed his own design and operated under his own patent is a strong circumstance showing good faith (Part III(8), below).

(It should be noted, however, that in another action the same Trial Court has granted *summary judgment* against Coleman, in favor of the company with which

Holly has merged and thus the same plaintiff in interest as in the present action, declaring that one of the claims of the Giwosky patent is invalid. This was decided upon the basis of essentially the same prior patents which the Patent Office considered not to anticipate the invention, but as to which the Court found no issue which Coleman should be permitted to try. An appeal from that judgment is now pending in this Court (No. 16154) and consolidation of the two appeals will be sought.)

It is therefore submitted that there is no evidence of bad faith, and that good faith as found by the Special Master was conclusively shown by the following:

1. Direct evidence, upon the contemporaneous writings and cross-examination of Holly's witness, Olds, that while designing for Coleman he attempted to exclude all but leakage of Holly's air.
2. Direct evidence of this same witness Olds, and by undisputed tests of the heater, that Coleman's engineer succeeded in doing so in the process of developing a different combination.
3. The belief of the witness Olds and of The Coleman Company that there was no infringement.
4. Advice of Coleman's patent counselor that there was no infringement.
5. Reliance by Coleman upon its own patent as applied for and issued.
6. The lack of any utility of Holly's air in the Coleman heater, as shown by undisputed evidence.
7. Holly's admission that if, as is now established (although not in time to alter the original decree), the amount of infringing air is too small to affect the heater, the rule *de minimis* would apply [R. 710].
8. The presumption of good faith, and the absence of any evidence to conflict with it.

## ARGUMENT.

The final Judgment appealed from [Par. 5, R. 436] awards Holly damages, attorneys' fees, and costs which total \$2,508,642.73. The aggregate awards for "actual" damages total \$1,934,215.71. The punitive assessments total \$562,148.83. For the convenience of the Court the following descriptive tabulation of the various items is made:

### TABULATION OF DAMAGES, ATTORNEYS' FEES, AND COSTS ASSESSED BY TRIAL COURT.

#### *Actual Damages*

Lost Profits on Total Coleman Sales of \$7,635,062 (which includes \$182,851 of contempt sales) at the estimated 19% alleged profit rate of Holly	\$1,450,661.78
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33⅓% of Holly's lost profits on Coleman's total sales (including contempt sales) <i>as further compensation.</i>	\$ 483,553.93
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#### *Punitive Awards*

25% of Holly's alleged lost profits on Coleman total sales (including contempt sales)	\$ 362,665.45
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Attorneys fees exclusive of contempt proceedings	\$ 130,000.00
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Added Punitive Damages of twice Holly's alleged lost profits of \$34,741.69 on the contempt sales	\$ 69,483.38
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#### *Other Awards*

Attorneys' fees and expenses in contempt proceedings	\$ 9,269.77
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Costs	\$ 3,008.42
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Total	<hr/> \$2,508,642.73
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I.

**The Court's Award of \$1,450,661.78 as Plaintiff's Lost Profit Is Factually and Legally Erroneous.**

There is one arresting fact which brings into focus all that will be said below: having the burden of doing so, Holly *failed to prove a single lost sale*, undoubtedly because it could not do so. The startling contrast between this significant lack of proof of even one lost sale, and the award of \$1,450,661.78 for "lost sales," quickly demonstrates the incredible nature of the judgment.

The basis for the principal damages awarded below is set out in the Court's Finding X [R. 425-426] which reads:

"Plaintiff, during the period involved, was in good financial condition; as business increased the plant was enlarged; and in all reasonable probability plaintiff would have manufactured and sold additional patented wall heaters equal in number to the infringing sales if the infringing heaters had not been available."

Thus the Court concluded that but for the infringement *all* of Coleman's customers would have purchased from Holly. (As noted below in this Part, and in Summary of Argument, section c, this is an assumption which cannot be supported.) The Court also accepted Holly's unsupported claim (Part I(3), below) that it would have made a 19% profit on every additional wall heater it might have sold, and multiplied this arbitrary percentage by Coleman's total sales of \$7,635,062.00 to arrive at the lost profits damages of \$1,450,661.78 [Finding XIII, R. 426]. In so doing the Court rejected the contrary findings of the Master who heard all the evidence in the accounting trial. As stated in the Report of Special Master [R. 52-53]:

"However, there is no evidence before me that plaintiff could have made all of the sales made by

defendant. In my opinion some of defendant's customers would have used heaters without the patented features, supplied by the defendant or others, and that *it would be highly conjectural to find that plaintiff could have made all of defendant's sales but for the infringing heaters.*" (Emphasis added.)

"The patented device is not in the category of devices where a customer is required to use the patented device or do without. There were and are many wall heaters on the market not incorporating the patented features which will heat a room. Perhaps not as efficiently as plaintiff's patented heaters but the customer can use them if he so desires. He is not compelled to use plaintiff's patented heater or go without heat."

Even this finding is very generous to Holly for there was not and could not have been proof of any public demand for, or even awareness of, wall heaters whose economizers were supplied with wall space air. As the trial judge himself conceded, *"I don't suppose anyone bought this Holly heater because a certain amount of air was flowing up the rear of the sides of the lower box"* [R. 1928].

The figure for lost profits which the Master believed to be supported by the evidence was \$400,000, which corresponds to about 25% of Coleman's total sales, as compared with the Court's figure of \$1,450,661.78 computed on the assumption that Holly would have made 100% of Coleman's sales. The Master's computation is summarized in his report as follows [R. 50-51]:

"The fact that plaintiff's percentage of the sales of wall heaters was 19% in 1951 and rose to 20% within three months after the infringement stopped



indicates that plaintiff would have enjoyed at least 20% of the national market but for the infringement. The additional sales of 1.2%, 5.4%, 2.3% and 2.3% for 1952, 1953, 1954 and 1955 respectively, at the plaintiff's profit of \$14.50 per unit would approximate an additional \$400,000 profits to plaintiff but for the infringement."

1. **The Realities of the Wall Heater Market Situation as Disclosed by the Evidence Make It Impossible to Conclude That Holly Would Have Made All of Coleman's Sales.**

At all times during the period of the infringement Holly was faced with many competitors besides Coleman. As shown by American Gas Association (AGA) records, the number of companies in the gas wall heater industry for the years from 1952 to 1956 were [R. 1626]:

<u>Year</u>	<u>No. Mfgs.</u>
1952	16
1953	19
1954	11
1955	13
1956	12

During the years from 1952 through 1956, the combined sales of Holly and Coleman never exceeded 30% of the total national wall heater market [Orig. R. 542, R. 1625, 1630, Accounting Ex. 47; Holly's graph R. 322]. In other words, some 70-75% of all wall heater sales in the United States over this period went to competitors of Holly and Coleman.

The direct effect on Holly of competition from companies other than Coleman is clearly demonstrated by comparing the relationship between Holly's percentage of the national market with the number of AGA approved com-

petitors during the years from 1952 to 1956. This data tabulates as follows [R. 1625-1626; Accounting Ex. 47; Orig. R. 542]:

Year	No. AGA Approved Companies	Holly's % National Market
1952	16	18.8
1953	19	14.6
1954	11	17.5
1955	13	17.7
1956	12	17.7

As can readily be seen, Holly's percentage of the National Market decreased in 1953 when the number of AGA approved competitors increased; increased in 1954 when the number of competitors decreased; and remained substantially the same from 1954 to 1956 while the number of competitors also remained substantially the same.

Also, it should not be overlooked that the total wall heaters sold in the United States increased rapidly after 1951. For example, the Department of Commerce industry totals for 1951 showed shipments of 205,486 units of which Holly shipped 39,319 units representing 19.1% of the total [Orig. R. 542]. In 1954 the national total was 350,000 units of which Holly's shipments accounted for 17.5%, reduced from the 19.1% of 1951, yet the units shipped by Holly greatly increased: 61,406 units in 1954 as compared with 39,319 in 1951 [Orig. R. 542], an increase of over 50%. Obviously, Holly was having to expand rapidly even to maintain its approximate share of the national market. What basis, then, could there be for assuming as the Trial Court has done that Holly could also have manufactured sufficient additional heaters to have absorbed Coleman's entire share of this expanding market?

There is not the slightest evidence that Holly would ever have been able to absorb Coleman's share of the national

wall heater market. The evidence establishes that if Coleman had not had the infringing heaters on the market, it would nevertheless have manufactured a competitive wall heater line, which would have been sold through the long established Coleman organization. It should be borne in mind that Coleman for many years has had complete national distribution of its products, whereas even today Holly does not sell in certain areas of the country [R. 1628-1631].

Even if Coleman had gone out of the wall heater business entirely during the years 1952 through 1956, then nevertheless Coleman's percentage of the national market would have been redistributed among all the competing companies in the wall heater industry and would not all have gone to Holly, there being no proof, and the nature of the heaters making such proof impossible, that only those of Holly and Coleman could satisfy the demand [see R. 1627-1628]. An assumption that Coleman's customers, who gave it 11% of the national market, purchased these particular models because undetected puffs of air (or any quantity) reached the economizers through an air passage patented by Holly, would be so unreasonable that we believe no court would consciously make it, yet this is exactly what the judgment does assume. As a Coleman vice-president testified, Coleman lost many sales to manufacturers who did not even have an economizer on their heaters at all [R. 1627-1628], and so must Holly have done.

Holly presented no evidence bearing directly on the question whether there was a definite segregated demand even for wall heaters equipped with economizers, regardless of the source of their air, as distinguished from all other AGA approved gas wall heaters. *A fortiori* there was not, and could not be, any evidence of a special demand for wall heaters feeding economizers with air from the lower wall spaces, as observed by the trial judge and quoted

above. There was some testimony by Holly's witnesses that *up to 1952* the *economizer* feature of the Holly heaters (not the source of the economizer's air) provided a competitive advantage. However, Holly's attorney pointedly refrained from asking any of Holly's witnesses about the competitive situation as it existed throughout the wall heater industry *during the years of the infringement*. Nor did Holly offer any evidence connecting its alleged distinctive sales features with customer preference at any time. As shown in the following subsection of this brief, Coleman's sales *increased* when, in 1957, it brought out a non-infringing heater *which did not even have an economizer at all*.

Coleman's evidence on the other hand shows that starting in 1953 (which was the first full year of Coleman's infringement), there was a general upgrading of the wall heater products of Holly's competitors. By 1953 competitors of both Holly and Coleman were selling AGA approved single stud space wall heaters, including ones of 35,000 BTU capacity like Holly's [R. 1626].

In discussing AGA (American Gas Association) regulations and testing procedures, Holly's witness Mr. Hollingsworth made clear, perhaps inadvertently, that the upgrading of competitive heaters to a level directly competitive with Holly was made compulsory by 1954. In that year a new *retroactive* set of regulations was adopted by AGA, and all manufacturers were required to obtain new approvals. Under the 1954 AGA regulations, as explained by Mr. Hollingsworth, every heater was tested for "hot spots" from floor to ceiling, and with a flue height that corresponded to the actual conditions of use [R. 1164-1165].

In 1953, nineteen companies held AGA approvals on gas wall heaters, while only eleven manufacturers received approvals under the retroactive regulations of 1954 [R. 1625-1626]. The wall heaters of each of these

eleven manufacturers were necessarily of a directly competitive quality to the Holly heater. In order to receive 1954 AGA approval, the heaters had to solve the hot wall problem from floor to ceiling while achieving at least 70% efficiency under the test conditions. The 70% efficiency was a practical maximum. Mr. Hollingsworth admitted that Holly's run-of-the-line production units would average only 68 to 69% on the AGA efficiency test [R. 1230].

The Court's Finding No. VIII [R. 425] does not specify the time when other wall heaters supposedly did not have the same sales features as the Holly and Coleman heaters. The finding would have some support in the evidence, but no relevance, if it refers to the period before 1952. Otherwise, the finding is directly contrary to the evidence. As previously noted, during the entire period of the infringement many other companies were marketing directly competitive AGA approved gas wall heaters.

2. **The Law Requires That Any Claimed Actual Damages for Patent Infringement Be Proved With Certainty, and There Is No Presumption of Damage Beyond That of a Reasonable Royalty.**

It has long been settled that the burden of proving damages rests upon the patent owner: *Robertson v. Blake*, 94 U. S. 728 (1877); *Dodson v. Hartford Carpet Co.*, 114 U. S. 439 (1885). "Actual damages must be actually proved, and cannot be assumed," said the Supreme Court in *Seymour v. McCormick*, 57 U. S. (16 How) 480, 490 (1853). The statutory "reasonable royalty" the patent owner may recover if he chooses. But as noted in *Seymour v. McCormick* (p. 490):

"If he claims anything above that amount, he is bound to substantiate his claim by clear and distinct evidence."

The Court added (p. 490):

“The question is not what speculatively he may have lost, but what actually he did lose.”

The burden is not carried by claiming without proof that Holly would have made Coleman's sales: *Power Specialty Co. v. Connecticut Light & Power Co.*, 80 F. 2d 874 (2d Cir., 1936); *Wedge v. Waynesboro Nurseries*, 31 Fed. Supp. 638, 641-642 (W. D. Va., 1940); *American Can Co. v. Goldee Mfg. Co.*, 31 F. 2d 492 (D. C. N. Y. 1927); *Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*, 235 U. S. 641 (1915); *Underwood Typewriter Co. v. E. C. Stearns Co.*, 227 Fed. 74, 82-83 (2d Cir., 1915); *McSherry Mfg. Co. v. Dowagiac Mfg. Co.*, 160 Fed. 948, 951-953 (6th Cir., 1908).

As shown by the foregoing decisions, the courts have uniformly held that damages allegedly based on lost sales may never be presumed. The rule is the same even though a plaintiff and a defendant are the only sources of products which infringe the patent in suit, and even though the patented product has some sales features not provided by other products for the same general purpose. (See *Power Specialty* and *Waynesboro Nurseries* cases cited above.)

A most complete and authoritative discussion of this question is found in the above cited *Power Specialty* case (80 F. 2d 874). The facts, there, were substantially identical with those of the present case. The following extract from page 875 of the opinion shows the direct applicability of the decision to the case at bar:

“Although appellant and appellee were the only manufacturers of the patented economizer, it does not follow that, if the sales had not been made by the appellant, the appellee would have made them. Other manufacturers were selling economizers suitable for steam plants. . . .

" . . . No claim of loss or profits would be justified unless the customer had to have an economizer of a kind which it must have bought from the appellee if not from the appellant. It appears in these circumstances that the buyers might have purchased devices other than the appellant's economizers or might not have bought any." (Emphasis added).

In summarizing the law and the evidence, the Court further stated (p. 877):

"From the foregoing, it is clear that the allowance of profits on a basis of lost sales was not sustained by the proof, and the appellee's damages should not have been thus measured. Where lost sales profits have been allowed, the courts have found that, but for the infringement, the plaintiff would have made the sales either to the infringer himself or to the eventual customers. (Citing cases.) This fact must be proved and cannot be presumed. (Citing cases.) *Without sufficient proof, as here, the damages should be measured on the basis of a reasonable royalty.*" (Emphasis added.)

If the market areas reached by the Coleman sales organization had been the same as those reached by Holly, and had the customers in those areas really preferred wall heaters equipped with economizers using wall space air, it is obvious not only that Holly would have proved it but that Coleman's sales would have dropped drastically on the termination of the infringement. But Holly offered no such proof, and for good reason. What actually happened on the termination of the infringement was that Coleman's sales *increased* rather than decreased. In the first four months after the introduction of defendant's *non-infringing* line of wall heaters, Coleman sold 10,399 gas wall heaters as compared with 9,303 wall heaters during the corresponding months of 1956 [R. 1624]. Coleman's

plant was then struck for 53 days which seriously interfered with the company's production and shipping. Nevertheless, during the first six months of 1957 Coleman sold 10.7% of the national wall heater market as compared with 11.1% for 1956 [R. 1625]. This evidence is conclusive in itself that Coleman's 11% share of the national market, which it had maintained for many years prior to, during, and subsequent to the infringement, would not have gone to Holly [R. 1630].

Holly's position here is very much like that of the plaintiff in the *Waynesboro Nurseries* case (cited above) where the Court stated (31 Fed. Supp. at p. 641):

"In other words, it would seem that, while plaintiffs were unable to sell to these persons during the period of infringement, they were equally unable to sell to them either before or after this period. If I am correct in my reading of the evidence, it is not shown that any of the persons to whom defendants sold were customers of plaintiffs before defendants' infringing product came on the market or became customers after the infringement ceased. This would indicate that plaintiff is complaining of sales to persons to whom it has never been able to sell and that defendants' market was one which for some reason has never been reached by plaintiffs."

It is believed that the trial court was misled by decisions cited by Holly where lost sales damages have been awarded in entirely different factual situations. The decisions which Holly claimed supported such an award in the present case were: *Bemis Car Box Company v. J. G. Brill Co.*, 200 Fed. 749, 758 (3d Cir., 1912); *Livesay Window Company, Inc. v. Livesay Industries, Inc.*, 251 F. 2d 469, 471 (5th Cir., 1958); *Electric Pipelines, Inc. v. Fluid Systems, Inc.*, 146 Fed. Supp. 262 (D. C. Conn., 1956); and *National Rejectors, Inc. v. A.B.T. Mfg. Corp.*, 188 F. 2d 706 (7th Cir., 1951).



The *Bemis* case dealt with a factual situation in which the defendant, prior to the infringement, purchased the infringing product from the plaintiff. There was no other source of the product, and consequently the only issue was whether defendant would have continued to buy from plaintiff if defendant had not manufactured the product itself during the period of infringement. Thus, there was no uncertainty about the fact of specific and identifiable lost sales. As the Court stated (200 Fed. at p. 762):

“While thereafter defendant ceased purchasing plaintiff’s boxes, it did not stop using boxes of that type, for the infringing box was but the plaintiff’s box made by the defendant. The desire of the defendant to use that type of box would, therefore, had it not become an infringer, have probably caused it to continue to purchase from the plaintiff. *Its conduct, both before and during the period of infringement, is wholly and only consistent with the conclusion that the defendant would have continued a customer of the plaintiff, had it not become an infringer.*” (Emphasis added.)

In the *Livesay* case the evidence conclusively established that all of the sales which defendant made could only have been made by plaintiff. Both the plaintiff and the defendant sold their products under the name “Livesay” and this was the way it was specified in architects’ plans, so that no other product could possibly meet the requirements of the specification. As stated in the Opinion (251 F. 2d at p. 478):

“Indeed, a common thing was for the *architect’s written specifications* to call for Livesay Concrete Window Frames’ meaning specifically either of the two frames. At least as to all of the residences comprising the 9.5% with built-in blind guides which went to make up the combined volume of Infringer and

Licensee, the builder, or contractor, or architects called for this type of frame. *As to this market demand, the source of supply was confined to these two parties and had not the infringement occurred, the Licensee would here have had a monopoly in an article having established trade acceptance of great extent.*" (Emphasis added.)

The *Electric Pipe Line* case involved a factual situation similar to the *Livesay* case. The sales were made through competitive bids which defined the character of the required systems by detailed specifications. The basis for the holding that plaintiff would have made the sales but for the infringement was the Master's finding:

" . . . that Fluid Systems and Electric Pipe Line were the only sellers of the kind of system required by the specifications of the job in question." (146 Fed. Supp. at p. 263; emphasis added).

The Opinion of the Court of Appeals in the *National Rejectors* case merely summarizes the Master's Report. However, it is clear from the Court's Opinion that the type of product there involved could have been obtained only from the plaintiff or defendant. The Master had specifically found (188 F. 2d at p. 709):

" . . . that purchasers of defendant's infringing devices would have made these purchases from plaintiff but for defendant's infringement; . . . "

Thus, in these cases there was a proved demand for the patent owners' particular products, with which only the infringers' products interfered.

In the present case we have a factual situation in which many competitors were supplying a product for the same purpose. All wall heater manufacturers are classified as one industry by the United States Department of Commerce [Orig. R. 542]. This is certainly not a case where

it may be said, as in the cases cited by Holly, that but for Coleman's infringement the particular sales involved would necessarily have been made by Holly. Coleman was not a former customer of Holly, nor were the sales involved here made under specific job requirements or specifications, nor was there a special demand for single stud space wall heaters equipped with economizers with or without lower wall space air. Rather, this is a situation like that which was found in the *Power Specialty* case in which the Court stated (80 F. 2d at p. 875):

“that the buyers might have purchased devices other than appellant's economizers or might not have bought any.”

The Master's Report specifically so found [Report of Special Master, R. 52-53].

This is not a case in which in reason, or under the law, Holly's damage can be equated with Coleman's sales, and the judgment is therefore without evidentiary support.

**3. The 19% Profit Margin Attributed to Holly Is Without Support in the Record.**

Although Finding XII [R. 426] states that “Plaintiff's net profit on the patented wall heaters was approximately 19% of its net sales,” there was no evidence presented from which such a figure could be determined. During the years from 1952 to 1957, Holly sold a number of other products besides wall heaters. No records were kept for most of these years which show the profit margins on wall heaters. The records for 1952 to 1955 disclose only total profits on all products without any breakdown between products. The first records indicating Holly's profit margin on wall heaters pertain to the years 1956 and 1957 [Accounting Exs. 33, 34 and 36]. Exhibit 33, which consolidates Exhibit 34 and represents the fiscal year 1956-1957 [R. 1329], shows only a 7.1% profit margin on wall

heaters. This percentage is based on net sales and is before taxes, and is therefore on the identical basis as the 19% figure adopted by the Court. Exhibit 36 [R. 1341] shows a corresponding figure of 10.5% profit on wall heaters for the first half of 1956.

Clearly, either 7.1% or 10.5% is entirely different from 19%. How then did the Court arrive at the 19% figure? There is nothing in the findings to indicate where this percentage came from, but apparently the Court simply accepted plaintiff's bare assertion that the 19% figure was supported by the record. *All* that plaintiff ever offered in support of this percentage was the following, which is quoted from plaintiff's Memorandum in Support of Its Proposed Findings [R. 252-253]:

“The 19% figure was ascertained over a 2½-year period, a portion of which was prior to Coleman's entry into the market, and a portion of which was after Coleman's entry into the market. This average profit figure was ascertained on the basis of Holly's 20.1% profit margin in the year 1951, its 17.4% profit margin in the year 1952, and its 19.7% profit margin during the first half of 1953. [Accounting Tr. 777, 841.]”

(The transcript references in the foregoing quotation may now be found at R. 1431-1432 and R. 1488.)

It should be noted that the figures set out in the foregoing quotation, which were destined to become the measure of damages, were only supposed to represent the total profits of Holly on all its operations, including profits derived from other sources than sales of its products, and profits on products other than wall heaters [Accounting Ex. 23, p. 6; Accounting Ex. 24, p. 4; R. 1431-1432, 1488]. This will be clearly demonstrated by reference to the testimony Holly cites as support in the foregoing quotation: “Accounting Tr. 777, 841,” now found in R. 1431-

1432 and 1488. Obviously, the profit margins which Holly made on its total operation are completely irrelevant to the question of how much profit Holly might have made if it had sold all of Coleman's heaters.

The utter invalidity of the 19% figure adopted by the Court can be demonstrated another way. Holly's profits on its total operation varied widely over the years from 1952 to 1957. The alleged 19% average profit on wall heaters bears no relation to even the average total profits made by Holly during the period of the infringement, much less to any profit which Holly made or could have made on its wall heater sales alone. Holly's Annual Reports show the true situation [Accounting Ex. 24, p. 4; Ex. 25, p. 4; Ex. 26, p. 3; Ex. 27; Ex. 28, p. 2, and Ex. 29, p. 3]. The pertinent figures from these reports are summarized below:

HOLLY'S PROFIT PERCENTAGE ON ITS TOTAL OPERATION.

<u>Period</u>	<u>Net Profit Before Taxes (% to Net Sales)</u>
1952 (Calendar Year)	17.4%
1953       "       "	13.8
1954       "       "	8.3
1955       "       "	14.6
Calendar Year to June, 1956	5.9
Fiscal Year to Dec., 1956	6.3
Fiscal Year to Mar., 1957	2.8
	<hr/>
Average	9.8%

If the figures in the foregoing tabulation are averaged, the result as indicated above is 9.8%. Such an average would have considerably more justification than the 19% average proposed by plaintiff, which was based on an arbitrarily selected two and one-half year period. It would also correspond much more closely with the actual figures

for 1956 and 1957 of 7.1% and 10.5%, *which are the only figures in the record showing profit percentages for Holly's wall heater sales.*

Summarizing, the Court's finding that plaintiff's net profit on wall heaters was approximately 19% of its net sales is wholly without evidentiary support. Holly kept no records breaking down its over-all profit until the years 1956 and 1957. On the consolidated report [Accounting Ex. 33] the net profit on wall heaters was 7.1% of net sales for the fiscal year 1956-1957. In the first half of 1956, the corresponding figure was 10.5%. The 19% figure comes from a devious calculation proposed by plaintiff wherein a two and one-half year period is arbitrarily selected for a computation of average total profits, and without confinement to the product here in issue. Even by this shotgun method of computation the ultimate conclusion is irrational since Holly's average profits on all products for all years in question, 1952-1957, was only 9.8% of net sales, as shown above from its own figures.

When it is considered that Coleman's total sales of wall heaters from 1952-1957, amounting to over seven and one-half million dollars, has been multiplied by 19% in the primary damage calculation, the magnitude of the court's error is readily apparent. Every percentage point under this extraordinary method of calculation is worth \$76,350. It is therefore submitted that it was gross error for the Court to make such a calculation with an unsupported and speculative multiplying factor of 19%.

II.

**The 33-1/3% Increase of the Assumed Lost Profits Damages Is Arbitrary, Unreasonable and Without Evidentiary Support.**

The Court's Finding XXII [R. 430] presumes that the figure of \$1,450,661.78 is inadequate to compensate Holly for its actual damage. The 33⅓% increase amounts to \$483,553.93, bringing the total assessment for "actual" damages to \$1,934,215.71. This compares with the total damages as found by the Master of \$785,975.85 [Report of Special Master, R. 60, 67]. The final figures as arrived at by the Court and by the Master as to Holly's supposed actual, reasonable and probable damages differ by \$1,148,239.86. Without having heard any of the lengthy and involved evidence on the accounting, the Court has perceived two and one-half times as much *actual* damages as did the Master.

The Court's Finding XXII refers to three types of damages which supposedly justified the 33⅓% increase: (1) "forced price reductions," (2) "increased selling expenses," and (3) "curtailment of plaintiff's market expansion." All of these types of alleged damage were specifically considered by the Master and taken into account in arriving at the total figure of \$785,975.85 recommended by him [Report of Special Master, R. 48-52, and his Finding V, R. 62]. On the facts of this case, however, they are mere generalities having no substance to support them.

It is Coleman's position that both the Master and the Court erred by deriving definite dollar values from these hypothetical types of damage when the record is devoid

of any data permitting such computation. The case law requiring that any damages other than a reasonable royalty be proved with certainty has no exceptions.

The Court's Finding XXII [R. 430] states categorically that "the damages suffered by plaintiff due to forced price reductions and increased selling expenses amount to at least \$280,000." There is nothing in the record even to suggest support for this finding. In order to support a specific calculation of this type, it would be necessary to make the preliminary finding, impossible in this case, that Coleman's infringement was the *sole* cause of the lower per cent profit made by Holly in the years 1953 to 1955 as compared with the years 1951 and 1952: *Power Specialty Co. v. Connecticut Light & Power Co.*, 80 F. 2d 874, 878 (2d Cir., 1936); *American Can Co. v. Goldee Mfg. Co.*, 31 F. 2d 492, 493 (D. C. N. Y., 1927), affirmed 31 F. 2d 494 (2d Cir., 1929).

As held in the *Power Specialty* case:

"It was error to allow recovery for reduction in prices in appellee's original bid due to the competition of the appellant in three of the instances where the installation was made by the appellee. *To succeed in this claim, appellee must prove that it lost profits because it was compelled to lower its price solely because of competition by the appellant.* (Citing cases.)" (Emphasis added.)

The record is without evidence to support the conjecture that Holly's slightly lower profit margins in the years 1953 to 1955 were caused by Coleman's infringement rather than by other factors. *In fact, the only evidence at all which Holly presented with regard to price reductions related only to sales to one specific customer in Florida* [R. 1028-1033]. Clearly, such limited evidence cannot support the sweeping generalization made by the Court.



Most of the asserted damage to Holly's profit margin is supposed to have occurred in 1953 and 1954 [Report of Special Master, R. 50]. Holly claims to have made a profit of \$2.00 less per unit sold in those years than in the immediately preceding year. However, there were many factors other than Coleman's infringement, as admitted by Holly's own vice president, Mr. Hammond, that led to the reduced level of Holly's business at that time. A major factor, as noted above Part I (1), was the entry of three new AGA approved competitors into the field in 1953. As discussed by Mr. Hammond, there was also the steel shortage due to the Korean War, and the fact that Holly had reached the limit of its plant capacity [Orig. R. 468-471].

Even aside from the fact that there is no evidence showing that the reduced profit margins were caused by the infringement, the assumption underlying the Court's conjecture is fundamentally incredible. It is almost unheard of for a corporation to maintain the same profit margin year after year independent of changing business conditions. Yet the Court has assumed exactly this unlikely phenomena—that Holly would have continued to operate at the same profit margin during each of the years 1953, 1954, and 1955 as it did in the years 1951 and 1952. Obviously, such an unlikely proposition could not be adopted as a foundation for calculating damages without the clearest proof.

Finding XXII [R. 430] also assumes that Holly suffered additional damage due to a curtailment of its market expansion. Since the Court had already compensated Holly for its assumed loss of all of Coleman's business, Finding XXII can only refer to Holly's loss *by not taking business away from other companies besides Coleman*. What could be more illogical than such a conclusion? Coleman's infringement could not have prevented Holly from expanding at the expense of its non-infringing competitors. Furthermore, a nearly fabulous expansion would

have been required to permit Holly to absorb all of Coleman's output plus an additional volume of business sufficient to yield a further profit of \$483,661.78.

We know that Coleman from 1952 through 1956 had only approximately one-tenth of the gas wall heater business in the country, while Holly's other non-infringing competitors accounted for two-thirds of the total business [Orig. R. 542; Accounting Ex. 47; R. 1624-1625].

In other words, two-thirds of the market was wide open to Holly. Yet when Coleman ceased to sell the infringing heaters [R. 1623], Holly simply retained about the same minor share of the national market [Accounting Ex. 47, R. 1768, and Ex. 43, Orig. R. 542].

### III.

#### **As Coleman's Good Faith Is Completely Vindicated, There Is No Legal Basis for the Award of Punitive Damages and Attorneys' Fees.**

It is well settled that in patent infringement actions there can be no basis for an award of either punitive damages or attorneys' fees unless the evidence establishes beyond question that the defendant was actuated by malice, bad faith, or some other improper motivation:

*Enterprise Mfg. Co. v. Shakespeare Co.*, 141 F. 2d 916, 920 (6th Cir., 1944);

*Creagmile v. John Bean Mfg. Co.*, 32 Fed. Supp. 646, 648-649 (S. D. Cal., 1940);

*Cincinnati Car Co. v. New York Rapid Transit Corp.*, 66 F. 2d 592, 593 (2d Cir., 1933);

*Park-In-Theaters v. Perkins*, 190 F. 2d 137, 142 (9th Cir., 1951);

*Faulkner v. Gibbs*, 199 F. 2d 635, 641-642 (9th Cir., 1952).

Of the foregoing citations the first three cases deal specifically with the law relating to punitive damages while the last two deal with the question of awarding attorneys' fees. The applicable rule, however, is the same. Before a Court can exercise its discretion to award either punitive damages or attorneys' fees it must first find from the evidence that the infringer's conduct in resisting the patent was consciously wrongful. As stated in the *Enterprise* case (141 F. 2d at p. 921):

"Compensatory damages constitute adequate remuneration for invasion of a patentee's property rights, unless the refusal of the infringer to bow to the presumptive validity of an issued patent is consciously wrongful. A court of equity, exercising patent jurisdiction, does not readily infer wrong motivation upon the part of those resisting the validity of patent claims. Patentees generally entertain suspicion that those who challenge their claims are deliberate malefactors. However bona fide, such suspicions produce no legal effect, unless sustained by evidence substantiating suspicion as truth."

This Court similarly summarized the law governing the awarding of attorneys' fees in patent cases in the *Park-In-Theatres* case (190 F. 2d at p. 142):

"Thus, payment of attorneys' fees for the victor is not to be regarded as a penalty for failure to win a patent infringement suit. The exercise of discretion in favor of such an allowance should be bottomed upon a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, which makes it grossly unjust that the winner of the particular lawsuit be left to bear the burden of his own counsel fees which prevailing litigants normally bear."

1. **The Court's Finding of Bad Faith Is Directly Contrary to the Report of the Special Master Although Based on the Same Evidence.**

It is Coleman's position that the Court's Findings XXIII, XXIV, and XXVI [R. 430-431] are clearly erroneous and find no support in the evidence. The Court found that "defendant's conduct amounts to unfairness or bad faith." This is directly contrary to the Report of the Special Master who found good faith. It must be borne in mind that the issue of whether Coleman acted in good faith first became material and was tried for the first time during the accounting, and that the Special Master alone heard the witnesses on this issue, including Coleman's patent attorney, Coleman's chief design engineer and one of his assistants, and all witnesses concerning the effect of the infringing air flow on the heater. As set out in Finding XXIII [R. 67] and Conclusion VI [R. 69] of his Report, the Special Master recommended that there should be no increased damages up to the time of the issuance of the original injunction. The evidentiary basis for his conclusion is summarized in his Report as follows [R. 60]:

"Defendant offered evidence of good faith on the question of increased damages. The evidence shows that it had received expert opinion to the effect that the patent was not infringed and that it in good faith relied upon those opinions."

The Special Master did not pass on the question of whether punitive damages might be awarded on the small amount of sales involved in the contempt proceeding, nor does the Report contain a specific recommendation with regard to attorneys' fees on the case in chief, although it necessarily follows from the finding of Coleman's good faith that no basis existed for such an award. (It may be noted at this point that the total sales involved in the contempt were relatively negligible, amounting to but \$182,-

851 as compared with the sales prior to the original injunction of \$7,452,211, which combined made up the total sales of \$7,635,062. All questions relating to the contempt proceeding are discussed in Part IV of this brief.)

We will now examine the actual conduct of Coleman in the light of the legal principles governing the award of exemplary damages and attorneys' fees, upon the basis of which the Special Master found that Coleman acted in good faith and the Trial Court found that it acted in bad faith.

## 2. The True Nature of Coleman's Heater as Contrasted With Holly's.

As appears below, both the legal advisors and the technical advisors of Coleman concluded, after a study of Holly's patent and the file wrapper, and with a true knowledge of Coleman's heater, that there was no infringement. In view of the fact that infringement was later judicially declared, it becomes important to recognize the fact that the evidence upon which that declaration was made was mistaken evidence—important not for the purpose of reconsidering the infringement, but as a necessary basis upon which to determine the issue of good faith. The actual facts and not Holly's mistakenly proved facts necessarily governed Coleman's legal and technical advisors long before the mistake was made.

In this connection it should be noted again that at the original trial Coleman *did* show the true quantity of infringing air in its heater [Orig. R. 395, 406], albeit Coleman then failed conclusively to destroy, as it later did, the mistaken factual premise upon which Holly's expert made his contrary deductions. The trial court believed Holly's evidence, and it was not until later that the inaccuracy of Holly's factual premises was conclusively revealed. Thereafter the actual facts were not disputed.

All of Holly's original evidence on this point was given by a Mr. Henry Landsberg. His conclusions were that the economizers of the Coleman heaters used from 23% to 57½% of infringing air, depending upon the kind of heater tested [Orig. R. 226-227]. It is now an established fact that the actual amount of infringing air did not exceed 3.1% [R. 1592-1594, 1749-1751], and since revelation, at the contempt hearing, of Holly's original error, this fact has not been disputed.

Mr. Landsberg's error was that he overlooked a large passage of non-infringing air. His method of computing the percentage of infringing air was to subtract from the total volume of air emitted from Coleman's economizer the volume of air passing through the only non-infringing passage of which he then knew. In his opinion there were only two sources of air into the Coleman economizer, one an infringing source and the other a non-infringing source.<sup>2</sup>

It has now been established, without dispute, and by visual demonstration by means of smoke, that there was a third source of a considerable volume of non-infringing air, overlooked by Mr. Landsberg, also feeding the Coleman economizer [R. 532-538, 598-645, particularly R. 603-606 and 624-625]. The air from the previously overlooked non-infringing passage was referred to throughout the contempt hearing, and in the cited references, as the "brown" air.

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<sup>2</sup>Orig. R. 265, 692-694. The "upper grill" referred to at page 265 is the outlet from the Coleman economizer, at which point Landsberg measured the flow of air from the economizer. Points 7 and 8 are openings into the economizer directly from the room, thus admitting non-infringing air into the economizer. In the Landsberg formula at page 693 the total air from the Coleman economizer is V. Air entering at 7 and 8, non-infringing, is Y. Infringing air is X. Knowing only of these two sources of air into the economizer, the total volume (V) was, to him, X plus Y. By subtracting the non-infringing air entering from 7 and 8 from the total volume (V), he concluded that all of the remainder (X) was infringing air.

Obviously this fact invalidated Mr. Landsberg's calculations, and he admitted that this was so. Upon disclosure of the previously overlooked air passage, Mr. Landsberg's testimony was [R. 557-559] as follows:

Q. Mr. Landsberg, what you were attempting to do with your test was to determine how much of the air coming out of 5<sup>3</sup> went up the back of the heater outside the box, weren't you? A. Yes, sir.

Q. And you understand what we mean by these various colored areas, brown, green, pink, don't you?

A. I didn't follow all of that completely.

Q. All right. I will put it to you in other language then: When was the first time your attention was called to the existence of any passage up *inside* of the box of the lower heater that permitted air to get into the Economizer? A. I wasn't too aware of that, actually, as my tests were made and as the formula was computed it was considered that there were two sources of air into the Economizer, one from the outside and one from the bottom.

Q. In other words, what you did was in good faith accept the data that was given you, you used the data given you as far as where you were going to start your calculations, did you not? A. Well, the tests were made on that premise.

Q. That is what I mean. At no time did anybody tell you that there was a major source of air, or any source of air, up the *inside* of the lower box into the Economizer, did they? A. I didn't consider it that way.

Q. And if that is a fact, then of course all of your calculations are completely destroyed, are they not?

A. If that is a fact, there is a question as to the path that that air took to get to the Economizer.

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<sup>3</sup>Point 5 was the outlet from Coleman's economizer.

Q. You could go much further than that, could you not—if the air you measured coming out at 5 went up both the inside and the outside of the box, you no more know from your test how much went up the outside of the box than you would know, looking at a roadful of traffic that had merged from two converging highways down the road, which came from one road or the other, would you? A. That's right.

Thus, in appraising Coleman's conduct for the purpose of determining whether exemplary damages are in order, the case is not one in which Coleman usurped and appropriated a substantial volume of infringing air, presumably of some value to its heater, but one in which it failed to eliminate totally a small leakage having no value (subsecs. 3 and 5 below). It is also one, as appears below, in which Coleman did not want the infringing air, sought to eliminate it, and did so except as limited by the propensity of air to leak.

### 3. The Infringing Air Was Actually of No Value to the Coleman Heater.

*Holly has at no time introduced evidence as to the effect of the infringing air upon the Coleman heater, but originally it was a reasonable assumption, and it was made, that such a quantity as was erroneously indicated by the Landsberg testimony must necessarily have affected the operation.*

Upon the contempt hearing in this case the true percentage of the infringing air was again shown, this time with conclusive proof that the original Landsberg computations were in error. But even then Holly offered no evidence that the leakage of 3.1% was of any utility to the Coleman heater. In rendering his decision on the contempt issue the trial judge, although recognizing the fact that



the original data was erroneous, concluded that a device (referred to in Part IV, below) employed by Coleman in an effort to comply with the decree while still disposing of its stock of heaters on hand, had reduced the volume of infringing air to one third of what it had been before. Having *assumed* that the original volume of infringing air had contributed to the efficiency of the Coleman heater, the Trial Court then assumed that one third of that quantity also affected the efficiency of the heater [R. 766] “and that therefore it constitutes an infringement.” Up to that time there had been no evidence at all from either side bearing upon the assumption made by the Trial Court. (Later evidence showed without contradiction that any such assumption was unwarranted—Part IV, and *infra*, this section).

The Court undoubtedly made the observation quoted below because of an admission of Holly’s counsel during the contempt hearing that there would not even be any infringement if there was a mere leakage which did not contribute to the efficiency of the heater:

The Court: Is it a fair statement of the testimony to say that the test is whether enough air from the pink area enters the Economizer to affect the efficiency of the heater in any material degree?

Mr. Christie (representing Holly): I think that is true, your Honor.

The Court: In other words, if a little air came in it didn’t make the heater heat any better, it didn’t affect, I can’t say actually affect the operation, I suppose, but perhaps the word is efficiency—

Mr. Christie: That is correct.

The Court: —it didn’t affect the efficiency of the heater, then that should be called *de minimis*, shouldn’t it?

Mr. Christie: Yes. [R. 710. “Pink” designated the infringing air and its source, R. 700, 766.]

One of the issues which the Court could properly have considered upon the accounting trial was the value of the use of the infringing air to Coleman, particularly in the determination of a reasonable royalty. *The evidence showed conclusively, and was not disputed, that the infringing air was of no utility whatsoever to the Coleman heater.* It affected neither the efficiency of the heater nor the wall temperatures [R. 1504-1515, 1579-1581].

4. **The Importance of the Use of the Infringing Air in the Heater Combination Patented by Holly.**

Coleman concedes, as it must in view of the prior adjudication in this case, that the claims of Holly's patent cover a novel combination of elements. In connection with the accounting for damages, however, it is important to keep in mind the fact that the vital feature of the Holly heater combination is the use of lower wall space air in the secondary heater or economizer.

Holly originally attempted to obtain a patent covering the use of *economizers* in gas wall heaters, without regard to whether air from the lower wall space was passed into them [R. 1772-1778, Exs. A and B at original trial].<sup>4</sup> These broad claims, however, were rejected by the Patent Office. The record of the prosecution of the Hollingsworth patent [Continuation File Wrapper, Ex. B at original trial]<sup>4</sup> shows that the patent was allowed only after all of the claims were amended to specify that the *economizer* received all of its air from the *wall space around the lower heater*.<sup>5</sup> In the Holly heater combination, as

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<sup>4</sup>These exhibits are designated as part of the record on appeal [R. 2014] but were not printed, pursuant to stipulation [R. 2019].

<sup>5</sup>Claim I of the patent as issued, from which all of the other claims depend, requires that the "second hollow box" (the economizer) be related to the "first box" (the primary heater) by "having an inlet opening adjacent to the bottom thereof to receive air flowing upward outside of the first box inside of the wall."

described in the Hollingsworth patent, 100% of the economizer air comes from this source.

Hollingsworth represented to the Patent Office in unequivocal terms that an essential feature of his heater, which was responsible for its improved performance, was the use of lower wall space air in the economizer. According to Hollingsworth this principle of operation made both the lower and upper walls cooler than they otherwise would be, while at the same time improving the overall efficiency of the heater [Hollingsworth Patent, col. 4, lines 30-53, Ex. 1 at original trial, Orig. R. 741-746]:

“By drawing the cold air up around the sides or the back, or both, of the lower box, the neighboring wall surfaces are cooled and more fuel may be burned safely without attaining excessive lower wall temperatures. Hence the heating capacity of the apparatus is increased. Moreover, the air for the upper heat exchange, because it is drawn from a low level has a lower temperature, so that the heat transfer from the upper radiator is increased. In this way the amount of heat imparted to the air passed through the upper box (i.e., in the conduit around the upper radiator) is increased, with a resulting improvement in over-all heating efficiency. Third, the use of cold or low level air as feed to the secondary heat exchanger makes it possible safely to encase this secondary heat exchanger in a combustible wall. Fourth, the structure of the invention is such that the hot air is brought out into the room at an intermediate level while cooler but still warm air is introduced into the upper part of the room near the ceiling, thus reducing stratification and increasing air circulation in the room.”

As will subsequently be developed in detail (subsec. 5, below), during the designing of the Coleman heater Coleman's engineers found it essential to depart completely

from the principle proposed by Hollingsworth. The fact is that the Coleman heater was designed to avoid the use of lower wall space air in the economizer, and this was done for good engineering reasons without regard to any attempt to evade the Hollingsworth patent [R. 1282-1283, testimony of Dean Olds, Holly's witness].

It certainly cannot be overlooked, and it appears to be of controlling importance in evaluating Coleman's good faith, that *the feature which Hollingsworth represented to the Patent Office as being primarily responsible for his new results was not intentionally used in the Coleman heaters at all* (subsec. 5, below).

**5. Coleman's Engineers Believed in Good Faith That They Were Not Using the Combination Covered by the Holly Patent.**

At the time the Coleman heater was developed the engineering executive primarily responsible for the design of the Coleman wall heaters was one Dean Olds, no longer with the Coleman Company but today a consultant for the Siegler Corporation with which Holly has merged. Harry Giwosky, the patentee of Coleman's patent 2,767,702 [Accounting Ex. B], was a design engineer on the project under Mr. Olds. Mr. Olds was called by Holly as a surprise witness [R. 1310] at the accounting trial.

The gist of his testimony upon his *direct* examination was that he formed the opinion that if Coleman placed its heater upon the market it would infringe the Holly patent and that he so advised the Coleman Company (Summary of Argument (d), above). Upon his cross-examination, however, this witness was confronted with letters which he had written to Coleman's patent counsel early in 1953. He thereupon admitted that he had changed his mind as to possible infringement after the file wrapper was obtained in August of 1952, which wrapper disclosed that Hollingsworth had based the patentability of his heater com-

bination upon the use of lower wall space air in the economizer, and conceded that he had then concluded that there was *no* infringement (R. 1271-1272).

Mr. Olds testified that the two letters which he had written to Coleman's patent counsel correctly reflected his state of mind [R. 1282]. These letters, written on letter-heads of the Coleman Company and addressed to Mr. Horace Dawson of Dawson, Tilton & Graham, 209 South LaSalle Street, Chicago 4, Illinois, were as follows [R. 1267-1271, emphasis added except as otherwise indicated]:

January 13, 1953

Dear Horace:

I am attaching a letter from James B. Christie, attorney representing Holly Manufacturing Company of Pasadena, which as you will note charges that we are infringing their patent No. 2,602,411.

I believe that you are familiar with this patent. Last August I asked you to obtain the file wrapper, and on August 28th you analyzed this file wrapper, pointing out the limitations which were required as a part of the claims by the Examiner before this patent was issued. Since you will want to review this again I am also returning the file wrapper for your information. In August of 1951 you ran a quick search to determine what art might exist on economizer devices of this type.

We are also sending you our complete file on the results of this search and ask that you return it when you have finished using it. *It is our feeling that we do not infringe the Holly patent.*

You will note that all claims contain limiting phrases, such as this, 'an inlet opening adjacent the bottom thereof and adapted to receive air flowing upward *outside the first box and inside the wall* [emphasis is Old's], and a flue connected to the top of the

second radiator.' This same limitation occurs in all of the claims, if my analysis is correct.

You will also note that in figure 1 of the drawing air is shown entering at floor level and being carried upward outside the first casing, and so on up into the heat exchanger proper or second casing and radiator. From the engineering point of view this is rather peculiar. *We found it advisable to shut off as much as possible this air which rises around the lower casing.* The reason was that as the air rose along the casing it became heated. This air then was discharged into the second or upper casing or economizer and created additional temperature problems on the upper unit. For that reason we provided the casing on those units which use an economizer with a series of louvres at the top of the front of the casing. This is illustrated in a drawing which I am also attaching.

*Furthermore, we provide a baffle which is bent outward against the two by four frame, so that air rising between the casing and the two by four frame is stopped. The name of this baffle, as you will note, is the air stopper.* The air being stopped from rising, then, beyond the top of the lower casing is discharged out of the side louvres to which I have referred.

I always feel that some background history may be of help to the attorney in analyzing a problem of this kind. At the time of the introduction of the Holly unit which has the upper radiator or heat exchanger, AGA had not tested a device of that type. Apparently after some consultation it was decided that the unit would have to be of both the economizer and the lower unit as a package. Those tests apparently were not carefully conducted, for when we retested the unit under supposedly the same conditions, we found excessive wall temperatures to exist, espe-

cially just above the outlet of the second stage warm air discharge noted at 44, figure 1. Later this was substantiated by retests at AGA.

I think, then, that this may be the explanation of why *we found it necessary to stop the circulation of air from the bottom unit to the top unit, whereas Hollingsworth felt that this air was of advantage to him.* As a matter of fact, we found it necessary to go even farther. In order to cool down the wall temperature immediately above the point 44 we found it necessary to introduce through the top of the second stage grille a small amount of room air, which was then discharged upward and into the attic.

From this explanation you will see that the question of maintaining no more than a 90-degree rise at any point in the wall surrounding the heat exchanger unit is one which has caused considerable difficulty. *I believe that our discovery that it is necessary to stop the circulation of air from the lower unit to the upper unit is of real importance in determining whether or not we do infringe the claims of Hollingsworth.*

I would like to have you analyze the information which I am attaching to this letter and reply to Mr. James B. Christie. You will also be interested in the question of possible license. Frankly, I cannot give you a clear-cut answer to this one. You will recall that the purpose of your examination of the file wrapper in August of last year was that I intended to discuss this patent with Mr. Johnson, president of the Holly Company. My interview with Mr. Johnson was far from satisfactory. He did not seem to care to discuss the patent, explaining that he was not familiar with it. On the other hand, he had previously, in conversation with our Los Angeles manager, said that if a patent were granted they, Holly, would be interested in granting licenses to a

few reputable manufacturers. I am unable to account for the distinctly different attitude which he expressed at the time I was in Los Angeles. Therefore I am unable to suggest whether or not they are in a mood to grant a license.

*Furthermore, in view of the fact that I feel that we definitely do not infringe, and certainly would not care to build our units in the manner described in the patent, I do not believe that we would be willing to pay any very excessive royalty. On the other hand, as you would judge, the Coleman Company has every interest in recognizing a legitimate patent and would rather support patents than to attempt to destroy them. This, then, is about the situation as I see it. I think we should prepare for suit.*

Quite naturally, however, a great deal of our future thinking will be governed very strongly by your opinion.

Sincerely yours, Dean, The Coleman Company, Inc.

The second letter was [R. 1279-1282, emphasis added except as otherwise indicated]:

March 23, 1953

Dear Horace:

I have read Mr. Christie's letter of March 3 relative to the question of our infringement of the Holly patent. In this morning's mail I also received another letter, a copy of which I am attaching, and which I think you will find quite interesting.

First, to discuss the questions raised by Mr. Christie. It is true that we have two ribs on the back of our casing. Hence it could be claimed that we have automatically provided a channel for the circulation of air from floor level around what the patent terms the lower box and up into the top box. To me,



however, this is a matter of degree. *It is not in my opinion necessary to assure an air tight joint in order to distinguish from the claims of the Hollingsworth patent.*

For example, column 3, line 12 beginning as follows: 'Air from floor level in the room is passed upward through *a separate conduit* [Old's own emphasis] into the bottom of the upper box in which the second radiator is disposed. Preferably this second conduit is disposed around the side or back or both of the lower box.' Again in column 6, line 59, 'Cold air, say at about 70° passes up from the floor level to the box surrounding the second radiator through the wall and in passing to the upper louver (of the secondary heat exchanger) adjacent the ceiling attains a temperature of 165° at which temperature it is discharged.

Both of these quotations clearly point out the intent to have a substantial circulation of air. In fact, it is quite evident that the intent is that air discharged from the upper grill in reality enters originally at floor level. Certainly then it is evident that this is not simply a matter of leakage. So, it would appear to me that Mr. Christie is attempting to expand the claims by interpretation to a point which it seems to me is not logical in view of the description.

It is however true that if we were, for example, to introduce smoke at floor level in a Coleman heater installed in a wall some of that smoke would ultimately reach the heat exchanger. Actually the ribs on the back of the casing are intended to keep the casing from actually contacting combustible material. They do not in all cases provide a fixed space for you must remember that they are adjacent to a plastered wall. Thus it is thoroughly possible that any circulation might be effectively cut off by plastered knobs

which project through the lathe or plaster base. In the case of installation in a plaster board wall this would not be true and there would be an air passage equivalent in width to the thickness of the ribs.

*On the other hand, and this is definitely the truth of our situation, we prefer to take cooler air directly from the room through the lowers in the side of the casing near the top. We need that cooler air to help cool the secondary heat exchanger. Air which enters at floor level and is carried up the height of the heater is of course heated in the process. Hence, we have found it is not as effective in cooling the secondary heat exchanger. Frankly it seems to me that this is a matter of degree. Certainly Holly could prove that some circulation does exist. Unfortunately I do not see how we could very effectively block or seal against that slight amount of circulation.*

We can try a baffle at the top of the casing at the back to see what it will do. However, this may be difficult for American Gas Association tests covering wall temperatures surrounding the unit are extremely difficult to meet. Therefore, even a slight change of this kind might throw us over the allowable 90° rise.

Relative to the baffles at the side of the casing we are in agreement that these should be bent out before the units leave the factory and a change has been issued to provide for bending them out so that they will contact the 2 x 4's. *This is being done not so much to avoid the question of infringement but to actually accomplish shutting off the rising warm air so that the entering colder air from the side lowers will be more effective.*

The letter from Metalbestos and the attached folder which you will note is dated 1949 is rather interesting. As you will note in the middle illustration they

at that time were recommending a grill. Whether warm air therefore issued from this grill or whether room air would enter it is of course a question. However, there is the possibility that this is anticipation. The question of whether or not the patent is invalid because of being credited to the wrong inventor is also worth further investigation in my opinion.

If the story told in the Metalbestos letter is correct then of course we would have a question of validity. After you have read this material I will be glad to hear from you further.

Sincerely yours,

Dean, THE COLEMAN COMPANY, INC.

These letters are set out in their entirety in this brief because they show conclusively that The Coleman Company had no desire to use a combination wherein the economizer was supplied with air from the lower wall spaces, that in fact it found such air highly objectionable and made every effort short of hermetically sealing it off to eliminate it entirely, and that it succeeded in eliminating such air except for a leakage due to the nature of air.

We believe it is obvious from the foregoing, without reference to the other circumstances referred to below, that Coleman did act in complete good faith as found by the Special Master, and that the finding of bad faith made by the Trial Court has no evidence or inference to support it. Certainly Coleman's refusal to admit an infringement was never "consciously wrongful." Apparently even the trial judge, as late as the final argument herein, recognized Coleman's sincerity, for he then said to Holly's counsel:

"I don't apprehend that the defendant will ever be anything but unreconstructed on this question of infringement. It will still, as a defendant has a right to do, it will still believe that the decision against him is wrong in fact, if not in law." [R. 1998.]

6. **Coleman's Conclusion That It Did Not Infringe Was Based Upon Its Knowledge of the Actual Nature of the Heater and Not Upon the Mistaken Testimony Introduced by Holly and Accepted by the Court.**

It is of course obvious that when Coleman reached the foregoing conclusion, it did so with its engineers' knowledge of the actual function of its heater and not upon Holly's erroneous evidence as to its nature later received and believed during the original trial. It could not foresee that Holly would claim, or that a Court would believe, that the infringing air in the economizer was many times its true volume. In designing the heater Coleman's engineers knew, as shown by the above letters of Olds, that in the Coleman heater the economizer was designed to operate not with infringing air, but with air received directly from the room, and that any air reaching the economizer from the lower wall spaces was an inconsequential and unwanted leakage which could have no beneficial effect on the operation of the heater.

7. **Coleman Was Advised by Its Patent Attorney That There Was No Infringement.**

Horace Dawson of the Chicago Bar, an attorney specializing in patent work [R. 777], was Coleman's patent counselor in the development of the heater in question. He testified [R. 779]:

"We advised Coleman that in our opinion there was no infringement because the Coleman structure employed what we felt was a different mode of operation. Under decisions of the Supreme Court and Federal Courts it has been held that where a structure, even though it were to fall nominally or literally under a claim, if it has a different mode or principle of operation there is no infringement. And in our view the taking of air from the room itself directly was a different mode—into the economizer was a

different operation from that called for in the Holly patent, where 100 per cent of the air was taken in at the bottom of the lower heater and drawn up around the casing and then into the economizer.”

In its Finding XXIII [R. 430] the Court found “Coleman represented to Holly that it was redesigning its heaters to avoid infringement by preventing the flow of air into the economizer from the conduit provided between the lower box and the wall, but Coleman’s redesigned heaters did not prevent such flow of air.” This finding is based upon a letter written by Horace Dawson to counsel for Holly, which appears in the record [Orig. R. 514-515].

But the finding misconstrues the letter. It is true that the letter states [Orig. R. 514]: “None of the air from about the lower box is thus able to enter the upper box 10.” But it closes with the following, after reference to a device known as a Metalbestos wall heater vent assembly: “We call this structure to your attention because your client has been concerned with the fact that a trace of air may lead past any barrier placed in the studding space and find its way into the upper box. A studding space, with the rough plaster therein, is, of course, difficult to seal, and in the prior Metalbestos installations, it is found that a small amount of air passes upwardly around the barrier and into the second box” [Orig. R. 515].

It is clear that Dawson, as he confirmed in his testimony, did not commit Coleman to hermetically sealing heaters against minor leakage, but instead referred to leakage occurring in another device [R. 788-789]. It is also reasonable to assume that Holly would not have been much concerned had it realized that there was a mere leakage for, as noted above, the Mr. Christie to whom the foregoing letter was addressed, representing Holly upon the contempt hearing, stated that if there was a mere leakage the rule *de minimis* would apply [R. 710].

(In calling attention to this admission we are not suggesting that Holly did not bring this action in good faith. Obviously it believed in the truth of the testimony of Mr. Landsberg offered at the original trial and did not then realize that only a leakage was involved. Had that fact been understood at the start there undoubtedly would never have been a lawsuit. Nevertheless Holly was responsible for its own evidence and Coleman, from beginning to the end, showed correctly what the amount of leakage was [Orig. R. 395, 406]. Unfortunately it did not make its conclusive demonstration of the truth of this testimony until the accounting issue was tried and the Trial Court had already been misled on the infringement issue.)

When Dawson advised Coleman that in his opinion there was no infringement, he was fully aware of the possibility of leakage. Olds had so advised him (letter of March 23, 1953, above in Sub-section 5, fifth paragraph, wherein the economizer is referred to as the "heat exchanger"). Dawson testified that when he wrote the letter to Holly he had in mind the "possibility of some air leakage from around the lower box into the economizer" [R. 789].

The fact that Coleman acted upon the advice of competent patent counsel is obviously a compelling circumstance in establishing good faith: See *Artmoore Co. v. Dayless Mfg. Co., Inc.*, 208 F. 2d 1, 6 (7th Cir., 1953); *University of Illinois Foundation v. Block Drug Co.*, 133 Fed. Supp. 580, 591 (E. D. Ill., 1955). Patent infringement is a matter requiring expert opinion, and all that any company can do in such a situation is to seek such opinion. As aptly observed by Judge Learned Hand:

"Patent infringement often involves nice and casuistical questions which it is mere artifice to treat as involving moral delinquency." (*Cincinnati Car Co. v. New York Rapid Transit Corp.*, 66 F. 2d 592, 593: 2nd Cir., 1933.)

8. The Fact That Coleman Developed and Patented Its Own Heater Design Creates a Presumption of Good Faith.

At the time of the original trial, Coleman had applied for its own patent (the Giwosky Patent), which has since been issued [Accounting Ex. B]. In the Giwosky heater combination the economizer is *not* designed to take its air from the lower wall spaces [R. 1595-1596]. Instead, the economizer is supplied with air directly from the room, which is the principle upon which the Coleman heaters were constructed [R. 1595-1596, 1614-1615].

The fact that one has operated under his own design and patent creates a strong presumption of good faith:

*Corning v. Burden*, 56 U. S. (15 How.) 252, 272 (1853);

*Creagmile v. John Bean Mfg. Co.*, 32 Fed. Supp. 646, 648-649 (S. D. Cal., 1940)—patent held invalid on appeal, 123 F. 2d 182.

As said by the Supreme Court in *Corning v. Burden* 56 U. S. at page 271:

“It shows, at least, that the defendant has acted in good faith, and is not a wanton infringer of the plaintiff’s rights, and ought not therefore to be subjected to the same stringent and harsh rule of damages which might be justly inflicted on a mere pirate.”

In the *Creagmile* case on the same issue of the infringer’s good faith it is said (p. 649):

“The record before us indicates that the defendants’ devices, exhibits 7 and 8, while well within the claims of the Creagmile invention, are also claimed by defendants to have been manufactured under the disclosure of a subsequent patent issued to Morse & Phillips, assignors of defendant Food Machinery Corporation, on November 17, 1936, being No. 2,061,326. *This showing is, we think, in itself*

*sufficient to negative any bad faith in the infringing acts of the defendants so as to preclude any right of plaintiffs to recover aggravated damages in this action.”* (Emphasis added.)

(It should be noted, however, that the same Trial Court as in this case has granted *summary* judgment, in favor of the company with which Holly has merged, invalidating one of the two claims of the Giwosky patent. That judgment is currently on appeal before this Court, No. 16154).

#### 9. Coleman Did Not Fail to “Exercise Due Care.”

In Finding XXIV [R. 431] the Trial Court states that Coleman “did not exercise due care to ascertain whether or not it was infringing plaintiff’s patent.” The respects in which Coleman was found to be negligent are not specified. Obviously the record does not support such a finding, nor does the relevancy of such a finding appear. We presume that the Trial Court did not undertake to award exemplary damages and attorneys’ fees against Coleman upon a finding that it was merely negligent, but that such finding was an elaboration of the preceding part of Finding XXIV in which Coleman’s infringement is declared to be “willful and deliberate.”

Coleman’s engineers knew the actual facts concerning the Coleman heater (Sub-section 5 above). Coleman’s patent counsel was informed of these facts by Mr. Olds and advised Coleman that in his opinion there was no infringement of the patent (Sub-section 7, above). There is nothing in the record to suggest that Coleman failed to exercise reasonable care in determining whether or not it infringed the Holly patent. There must have been room for an honest manufacturer in Coleman’s position to doubt, in good faith, that it infringed the Holly patent, for in referring to the original trial of this action the trial judge later said [R. 764]: “I could say to Mr. Lyon that



I don't see how, with all due respect to Judge Bone, for whom I have the highest regard and respect, how he could affirm this case and reverse the Kemart case, both of which were my cases. I think the infringement in the Kemart case was even more demonstrable than the infringement in this case."

It is clear from the contemporaneous writing of Mr. Olds that he was convinced, and for excellent reason, that there was no infringement.

**10. The Original Adjudication of Infringement Does Not Establish Bad Faith.**

It has been adjudicated, upon the mistaken evidence heretofore referred to, that Coleman intentionally infringed the Holly patent. This subject has already been rather fully discussed in Sub-section 2 of this Part, above, and in Summary of Argument paragraph (a). But the question of good or bad faith was perforce not involved in the original infringement trial and was not relevant thereto. In fact, the trial judge himself acknowledged that the issue of Coleman's good faith had not yet been presented for decision even as late as the subsequent contempt hearing [R. 765, 1938-1939]. Thus, the law of the case has not yet been made upon this issue.

The law of the case cannot be made when the question on the second appeal was not involved on the first appeal, and is only made when the questions involved in both appeals are substantially the same:

*County of San Diego v. Milotz*, 46 Cal. 2d 761, 768, 300 P. 2d 1 (1956);

*Chicago & N. W. Ry. Co. v. Kelly*, 84 F. 2d 569, 571 (8th Cir., 1936);

*Seagraves v. Wallace*, 69 F. 2d 163, 164 (5th Cir., 1934), cert. den. 296 U. S. 569;

See *United States v. Morgan*, 307 U. S. 183, 188.

In *Seagraves v. Wallace*, 69 F. 2d at page 164, the Court said: “. . . only the questions in terms discussed and decided are within that principle.”

Accord: *Wolff Packing Co. v. Court of Industrial Relations* 267 U. S. 552 (1925).

In *Chicago & N. W. Ry. Co. v. Kelly*, 85 F. 2d at page 571, the Court wrote:

“In so far as the questions arising upon this second appeal are substantially the same as those presented on the first, they are ruled by our former opinion.”

As said by the Supreme Court of California in *County of San Diego v. Milotz*, 46 Cal. 2d at page 768:

“Where different questions arise on the second appeal and the record presents a new consideration affecting the disposition of the later appeal, the former observations have no binding force and the second appeal must be determined on the merits of the issues then submitted.”

In that case, upon a prior appeal it had been declared by the appellate court that the plaintiff's suit was not one to recover a penalty. This comment was made *apropos* of the defendant's contention that the plaintiff should not be permitted to recover because the law does not favor penalties. But after the first decision on appeal, an answer was filed in which the defendant pleaded the statute of limitations applicable to the recovery of penalties. It was held that this was a different issue, squarely presenting for the first time the question as to the nature of the plaintiff's claim, and the law of the case did not apply.

Furthermore the law of the case never applies when the evidence received after the first appeal is substantially different and not merely cumulative:

*Page v. Arkansas Natural Gas Corp.*, 53 F. 2d 27, 31-32 (8th Cir., 1931), affirmed, 286 U. S. 269;

*General Motors Acceptance Corp. v. Mid-West Chevrolet Co.*, 74 F. 2d 286, 388 (10th Cir., 1934);

*New York Life Ins. Co. v. Golightly*, 94 F. 2d 316, 317 (8th Cir., 1938), cert. den. 304 U. S. 566.

The evidence before the Trial Court on the accounting trial was not only different from the evidence received at the original trial, but evidence of good or bad faith was not even relevant at the time the infringement issue was tried.

The law of the case is never followed if it would work manifest injustice:

*County of San Diego v. Milotz*, 46 Cal. 2d 761, 767-768, 300 P. 2d (1956);

*Chicago, St. P. M. & O. Ry. Co. v. Kulp*, 102 F. 2d 352, 354 (8th Cir., 1939), cert. den. 301 U. S. 700.

Even when the law of the case does apply, it is not "an unyielding one which takes from the court the power to correct manifest error or plain mistake of a serious nature and bearing in the previous decision": *State of Kansas v. Occidental Life Ins. Co.*, 95 F. 2d 935, 936 (10th Cir., 1938), cert. den. 305 U. S. 603. See also *Messenger v. Anderson*, 225 U. S. 436, 444 (1912) and *Commercial Nat. Bank, etc. v. Connolly*, 176 F. 2d 1004, 1006 (5th Cir., 1949).

The case of *Rockwood v. General Fire Extinguisher Co.*, 8 F. 2d 682 (2nd Cir., 1925), is of considerable interest in applying these principles to this same question. On the first appeal the finding of the Trial Court that the defendant "had copied the [plaintiff's] idea" and "succeeded in appropriating all that was of value in plaintiff's device," was affirmed (8 F. 2d 682, 688). Upon trial of the accounting issue, the Trial Court awarded punitive damages of 25%, as in the case at bar. This award was annulled on appeal, the Appellate Court stating (37 F. 2d 62, 66):

"Punitive damages should not have been awarded by the court below. The infringement was not wanton and deliberate. The validity of the patent and its infringement was open to honest doubt, and it was not until this court passed upon the question that the defendants were found to infringe. In the absence of a deliberate purpose to infringe, no such punitive damages should have been granted [citing cases]."

Infringement in the present case was not only "open to honest doubt" but was found only upon mistaken evidence. In the light of the actual facts Coleman not only could doubt that there was infringement, but actually had no reason to suspect that there was. The unfortunate aspect of this case is that Holly accused without knowing the facts, and Coleman resisted without knowledge of Holly's mistake, wherefore this litigation. It is impossible to find in the record anything to support an inference that Coleman infringed Holly's patent in bad faith. On the contrary, however, all of the evidence shows that Coleman acted with all due diligence and with utmost good faith.

IV.

**The Adjudication That Coleman's Modified Heater Infringed Is Contrary to the Evidence and Was Improper on a Motion for Contempt.**

In paragraph 4 of the judgment [R. 435], Coleman was found guilty of civil contempt for failing to comply with an injunction served upon it on December 28, 1956, enjoining it from selling the infringing heaters.

Commencing about July 15, 1956, Coleman modified its heaters by providing them with an attachment referred to as a "chute" [R. 476-477], which was designed to eliminate leakage of the infringing air altogether and which did reduce it appreciably [R. 627-631]. This was done in order to permit the disposition of the stock of old heaters without violating the injunction, preparatory to and while bringing out Coleman's new type of non-infringing heaters [R. 1604-1605].

The effect of the chute was to reduce the amount of infringing air to approximately one-third of what it was without the chute. The Trial Court so found upon the contempt hearing [R. 766]. The "pink" referred to by the Trial Court was the designation used for infringing air [R. 700, 766]. No evidence offered in either the contempt or the accounting trial contradicted the fact that the chute reduced the infringing air to one-third of its volume without the chute, or to approximately 1.3% [R. 1593-1594].

The question before the Trial Court at the time of the contempt hearing was whether Coleman infringed Holly's patent by permitting approximately 1% of the air in its economizer to escape from the back wall spaces, and whether it stood in contempt of the Court in selling heaters so modified. That this was the issue was conceded by Holly and recognized by the Trial Court. As already noted (Part III(3)), Holly's counsel agreed that if not enough

of the wall space air entered the economizer of the modified heater to "affect the efficiency of the heater" then that "should be called *de minimis*" [R. 710]. The trial judge, in rendering his decision upon the contempt hearing, said: "The test here, as suggested this morning, seems to me to be whether enough air enters the Economizer from the pink or infringing area to affect materially the efficiency of the heater" [R. 766].

Obviously if the modified heater did not infringe the patent, it could not violate the injunction and Coleman could not be in contempt. As the Court said in *Wadsworth Electric Mfg. Co. v. Westinghouse Electric & Mfg. Co.*, 71 F. 2d 850, 852 (6th Cir., 1934): "We think it clear that the only issue presented by this appeal is whether the defendant's modified structures infringe the patent claims, and whether their manufacture violates the writ of injunction, . . ."

Clearly, unless the lower wall space air, the use of 100% of which in Holly's economizer was the essential feature of Holly's patent (Part III(4) of this brief), made some material contribution to Coleman's modified heater, that heater necessarily functioned upon a different principle and there was no infringement, as conceded by Holly upon the contempt hearing. Nevertheless, at the contempt hearing (as well as during the accounting trial) Holly introduced no evidence that lower wall space air had any effect upon the Coleman heater with the chute installed. [Upon the accounting trial it was proved without contradiction that it had no effect R. 1514.] The Trial Court nevertheless *assumed*, without evidence, that the efficiency of the heater was affected. It was an extraordinary assumption. Immediately following the statement of the trial judge quoted above (that the test was whether the efficiency of the heater was materially affected), he said:

“Without the chute in it is adjudicated that it does. The best estimate I can make . . . indicates that the chute cuts off two-thirds, say two-thirds, of the air to the Economizer from the pink area. I must find that the elimination of two-thirds of the air from the pink area still leaves the air from the pink area *materially affecting the efficiency of the heater*, and that therefore it constitutes an infringement” [R. 766, emphasis added].

This conclusion is the very foundation of the finding of contempt but is without any support in the evidence whatsoever. Holly cannot point to anything in the record justifying even an inference to that effect. The burden was upon Holly to prove that the *modified heater* infringed the patent. The mere assumption of the Trial Court that the minute volume of wall space air affected the heater was not only without evidentiary support but involves a curious *non-sequitur*.

The Trial Court's reasoning was that since (1) it had once determined, although upon mistaken evidence, that there was at least 23% of infringing air in the economizer, and (2) that such a large volume must have affected the heater, *ergo* (3) one-third of *that* amount must also have affected the heater although it was not there. But the premise was then known to be wrong; there was never such a volume of infringing air. While the principle giving finality to a judgment may have made it impossible to redetermine the question whether the original heater infringed, it did not perpetuate the factual error or dispense with the requirement of proof when a new question was before the Court, namely, whether the *modified* heater infringed. There was no other basis for the conclusion that the modified heater infringed and the judgment of contempt is therefore without support.

The judgment of contempt also violated a well established procedural rule. Process for contempt is not proper when there is "fair ground of doubt" whether a device accused of violating an injunction is an infringing one:

*American Foundry & Mfg. Co. v. Josam Mfg. Co.*,  
79 F. 2d 116, 118-119 (8th Cir., 1935);

*Radio Corporation of America v. Cable Tube Corp.*,  
66 F. 2d 778, 783 (2nd Cir., 1933);

*California Artificial Stone Pavement Co. v. Moliter*,  
113 U. S. 609, 618 (1885);

*General Electric v. Wabash Appliance Corp.*, 29  
Fed. Supp. 1003, 1004 (E. D. N. Y., 1939).

As stated in the *American Foundry* case, 79 F. 2d at page 119:

" . . . the inquiry here is whether or not there is a 'fair ground of doubt' as to infringement by the 1933 device of appellant—if there is such, there can be no punishment for contempt, but appellee must proceed by supplemental or original bill for infringement."

To the same effect is the *Radio Corporation* case, 66 F. 2d, at page 783:

"But where the infringement by the new device is not clear on the fact of the matter, and there are substantial issues for the determination of the Court, the plaintiff may not have them determined in contempt proceedings, but must bring a supplemental bill for an injunction covering the new device, or institute a wholly new suit for such an injunction. (Citing cases.)"

As applied in the foregoing cases, the basic rule governing the plaintiff's burden in a motion for civil contempt



in a patent infringement case was long ago laid down by the Supreme Court in the *California Artificial Stone* case, cited above, where the Court held (p. 618):

“Process for contempt is a severe remedy and should not be resorted to where there is fair ground of doubt as to the wrongfulness of defendant’s conduct.”

It is indeed a mild statement to say that in this case there was “fair ground for doubt” whether the modified heater infringed. There was no evidence that it did infringe. Holly offered no evidence on the issue, and it was not tried. On the accounting trial, relative to the issue of reasonable royalty, it was shown without contradiction that the leakage of wall space air had no effect on the heater’s operation with the chute installed, or without it—[R. 1514].

The Court not only found Coleman to be in contempt, but awarded punitive damages. This required proof of bad faith (Part III, above).

The whole question of Coleman’s good or bad faith has been discussed in Part III of this brief, to which reference is here made. The Coleman heater was designed to take its economizer air directly from the room into the economizer, not from the wall spaces. This so materially differed from the Holly heater that a patent issued upon it. Coleman’s engineers believed, with excellent reason, that there was no infringement (Part III(5), above). If there was no bad faith when the original heater was designed, there was certainly none when Coleman reduced the already inconsiderable 3.1% of wall space air to one-third thereof.

Furthermore, Coleman was advised by its patent counsel that in his opinion the heater, modified by the chute, did not infringe [R. 690-692]. This was indirectly substantiated by Holly at the contempt trial. Alwin B. Newton, Coleman's Vice-president, who gave this testimony, testified that Holly representatives, including Holly's counsel, were present at a time before the chute was actually used, when this was discussed. Holly's counsel stated that he was prepared to testify that all that was said on this subject at the meeting was that Coleman's counsel had advised that there was no infringement [R. 696]. It is submitted that this important fact, together with Holly's failure to prove that the modified heater did in fact infringe, precluded a lawful finding of either infringement or bad faith.

Even in cases where the device attacked so clearly infringes that it can be adjudicated as an infringement on motion for contempt, the damages awarded should be compensatory only unless the evidence establishes that the defendant was acting in bad faith. (See *Union Tool Co. v. United States*, 262 Fed. 431, 434, 9th Cir., 1920).

In the present case the Court has awarded punitive damages of more than three times Coleman's profits from "contempt sales." It is submitted that there is no evidence which can support the award of punitive damages in the contempt proceeding.

The effect of the final judgment is to award Holly damages of \$124,491.05 plus attorneys' fees of \$9,269.77 on the total contempt sales of \$182,851.00. Apparently this total is greater than was actually intended by the Trial Court. The Court's Finding XXV [R. 431] states

that Holly's lost profits damages on sales of \$182,851.00 made after the injunction had become final "should be increased by three times." The amount actually awarded, however, comes to 3 and 7/12 times the lost profits on the contempt sales at the 19% profit rate of Holly, and is thus incompatible with the Court's own finding. The extra 7/12 amounts to \$20,265.98<sup>6</sup>

For all of the reasons set out above, it is respectfully submitted that the holding of contempt should be reversed.

V.

**The Facts of This Case Permit Only the Reasonable Royalty Approach to the Damage Issue, and the Record Enables This Court to Fix a Reasonable Royalty.**

Since Holly and Coleman were at all time in direct competition with other manufacturers of wall heaters, and since there was no specific and segregated demand for Holly's particular heater, so that Holly's losses, if any, could not be equated with Coleman's sales, the facts of this case permitted only the reasonable royalty approach to the damage issue. Coleman, of course, concedes that Holly could have elected to claim a reasonable royalty because of the adjudication of infringement and the provisions of

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<sup>6</sup>Paragraph 5(d) of the judgment [R. 436] gives added damages of \$69,483.38, which in itself is consistent with Finding XXV, since the lost profits damages on the contempt sales were included once in the total of \$1,450,661.78 of paragraph 5(a) of the judgment. The 7/12 error arises because the total lost profits damages were increased by  $\frac{1}{3}$  plus  $\frac{1}{4}$ , making a total of a 7/12 increase, in arriving at the figures of \$483,552.93 and \$362,665.45, respectively, of judgment paragraphs 5(b) and 5(c). Since paragraphs 5(a) and 5(d) together apply the 19% rate three times to the total contempt sales, \$11,580.56 should be deducted from the figure under 5(b) of \$483,553.93 to give \$471,973.37, and \$8,685.42 should be deducted from the figure of \$362,665.45 under 5(c) to give \$353,980.03. The deductions of \$11,580.56 and \$8,685.42 combined make up the 7/12 excess of \$20,265.98.

the Patent Act of 1952 (35 U. S. C., Sec. 284). This Act reads in part: "Upon finding for the claimant the court shall award the claimant damages adequate to compensation for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court."

The present patent damage statute is a codification of a 1946 amendment to an earlier statute (Rev. Statute, Sec. 4921, which provided that: ". . . upon a decree being rendered in any such case for an infringement the complainant shall be entitled to recover, in addition to the *profits* to be accounted for by the defendant, the *damages* the complainant has sustained thereby, . . .;," emphasis added). It is clear since the 1946 revision of the statute that, so far as *damages* are concerned, a patent owner can now claim as a matter of right only his actual, provable damages as distinguished from the infringer's profits, and and that the infringer's profits can be reached only by proving that they were an element of the damage actually sustained. This would of course require definite proof, totally absent on the present record, that Holly would have made Coleman's sales. The 1946 amendment has been expressly so interpreted (*Ric-Wil Co. v. E. B. Kaiser Co.*; 179 F. 2d 401, 7th Cir., 1950).

This Court has referred with approval to the interpretation of the patent statute damage provisions as set forth in the *Ric-Wil* case (*Faulkner v. Gibbs*, 199 F. 2d 635, 638, footnote 5, 9th Cir., 1952).

It is apparent that the present case is not one in which actual damage was provable, and certainly not one in which actual damage was proved (Part I). Therefore an award of a reasonable royalty was the proper and only standard of compensation. This is the usual situation in patent infringement cases and is the reason why patent owners are given a right to a reasonable royalty. Otherwise a

patent owner would in most cases receive only injunctive relief.

The whole subject of reasonable royalty was thoroughly discussed by this Court in *Faulkner v. Gibbs*, *supra*. As there stated by this Court, when there is no established royalty various factors are to be considered in fixing the amount of a reasonable royalty (199 F. 2d, at page 639):

“Where no established royalty can be proved, it is permissible to show *the value of what has been taken by the infringement* by proving what would have been a reasonable royalty, considering the nature of the invention, *its utility and advantages, and the extent of the use involved*. What is a reasonable royalty is a question of fact. A reasonable royalty is an amount which a person, desiring to use a patented article, as a business proposition, would be willing to pay as a royalty and yet be able to use the patented article at a reasonable profit. The primary inquiry, often complicated by secondary ones, is what the parties would have agreed upon, if both were reasonably trying to reach an agreement.” (Emphasis added.)

In this case there was no established royalty, Holly not having granted any licenses. In their briefs below, Holly's counsel repeatedly argued that this fact prevents the fixing of a reasonable royalty, and that since Holly was in fact unwilling to grant a license, to award a reasonable royalty would amount to “compulsory licensing.” This specious argument apparently confused both the Special Master and the Trial Court. The Special Master said in his Report (p. 5): “It is difficult in retrospect to determine a reasonable royalty. Defendant contends the standard provided by law is the willing-buyer—willing-seller rule. In this case there was neither a willing licensee nor a willing

licensor.” Only upon Coleman’s request for a further finding did the Special Master fix a reasonable royalty, as noted below. The Trial Court took only the actual damage approach to the damage issue.

It is, of course, essential to *assume* the existence of a *willing* licensor and a *willing* licensee. As stated in *Horvath v. McCord Radiator & Mfg. Co.*, 100 F. 2d 326 at page 335 (6th Cir., 1938):

“In fixing damages on a royalty basis against an infringer, the sum should be reasonable and that which would be accepted by a prudent licensee *who wishes to obtain the license* but who was not so compelled and a prudent patentee, *who wished to grant a license* but who was not compelled. In other words, the sum allowed should be that amount which a person desiring to use a patented machine and sell its product at a reasonable profit would be willing to pay.” (Emphasis added.)

This Court approved and followed the foregoing statement in *Faulkner v. Gibbs*, 199 F. 2d 635, 639 (9th Cir., 1952).

Holly’s view finds no support in any known decision. If an award of reasonable royalty requires an admission by the patent owner that he would have sold a license, the courts would often be paralyzed on the threshold. It has been established for many years that a reasonable royalty may be judicially determined although the patent owner has never actually granted a license and has held his patent as a close monopoly. One of the leading cases to this effect is *Dowagiac Mfg. Co. v. Minncstota Moline Power Co.*, 235 U. S. 641, 648 (1915), wherein it is said:

“But, as the patent had been kept a close monopoly, there was no established royalty. In that situation it was permissible to show the value by proving what would have been a reasonable royalty, considering the

nature of the invention, its utility and advantages, and the extent of the use involved. Not improbably such proof was more difficult to produce, but it was quite as admissible as that of an established royalty."

Upon Coleman's request for further findings, the Special Master fixed a reasonable royalty as 6% of Coleman's "net" sales [R. 51-52, 61-62]. The "net" figure is the same as Coleman's total accountable sales as found by the Court in Finding XIII, or \$7,635,062.00 [R. 426]. Six percent of this figure will be found to be the \$458,103.72 declared by the Special Master to be 6% of defendant's "net" sales [R. 51-52]. It should be noted that this sales figure of \$7,635,062.00 includes contempt sales of \$182,851.00. If the contempt sales are treated separately, Coleman's total accountable sales here are \$7,452,211.00 and a 6% royalty thereon would be \$447,132.66.

A reasonable royalty must be one which would permit a licensee to use the patent with a reasonable profit. As said by this Court in *Faulkner v. Gibbs*, 199 F. 2d 635, 639 (9th Cir., 1952):

"A reasonable royalty is an amount which a person, desiring to use a patented article as a business proposition, would be willing to pay as a royalty and yet be able to use the patented article at a reasonable profit."

Another decision of this Court to the same effect is *Dunkley Co. v. Central California Canneries* 7 F. 2d 972, 977 (9th Cir., 1925).

The Special Master related a 6% royalty to a reasonable profit by assuming that Coleman *should have* made Holly's alleged but unproved and fictitious 19% margin of profit (Part I(3), above). On this basis Coleman's hypothetical profits would have amounted to \$1,450,661.78. Coleman's actual profits, as found by the Special Master, were \$785,-975.85 [R. 60].

The Trial Court, however, sustained *all* of Holly's objections to the accounting methods approved and accepted by the Special Master and computed Coleman's profits at \$1,186,537.27 [Finding XVIII, R. 428].

The basis for the Master's Finding II [Report of Special Master, R. 61-62] was:

"It (Holly) had offered to defendant's limited license on the basis of 4% of the net selling price to allow defendant to gracefully withdraw from the sale of the infringing heater which was refused. I think this was a generous offer and that a reasonable royalty, under the circumstances in this case, would be 6% of the net sales leaving defendant a profit of 13% of net sales *if it could make the same profit as plaintiff*. The lower profit shown by defendant must be attributable to other items manufactured by defendant the costs of which were charged in part to the infringing heaters. 6% of defendant's net sales would be \$458,103.72." [Emphasis added; R. 51-52].

The Trial Court, while attempting to award damages on the alleged basis of actual loss, adopted this finding [Finding XXIX, R. 432]:

"To the extent not inconsistent with these Findings of Fact, the facts as found by the Special Master in his Report filed February 10th, 1958, are hereby adopted."

It has been demonstrated that the record in this case does not, and the facts do not, permit damages to be awarded except upon a reasonable royalty basis (Part I, above). Approached from this basis, as noted below, the record permits directions by this Court for the entry of a judgment based upon a reasonable royalty. Patent royalties are traditionally computed as a percentage of sales. There is no dispute as to Coleman sales, which were



\$7,635,062 [Finding XIII, R. 426]. The only thing remaining for this Court to determine, in order to make final disposition of this case, is what rate would represent a reasonable royalty.

**a. Possible Judgment Based on One Percent Royalty.**

As hereinbefore demonstrated on the facts of this case damages could be awarded only on a reasonable royalty basis (Part I). The only evidence as to what a reasonable royalty would be in this case, assuming that the Holly patent is deemed to have been of any value to Coleman, was introduced by Coleman. It was that in the heating industry a royalty of 1% for the license of a useful patent is a prevailing maximum. This evidence came from two sources:

(1) Licenses purchased and sold by Coleman were produced and described at length, and ranged from a maximum of 1% of net sales downward to various fractions of 1% [R. 1645-1652].

(2) The other source was Attorney John Swain of San Francisco, who had had extensive experience with the negotiation of patent license agreements, including those in the heating industry [R. 1779-1781]. He testified that he had formed the opinion that prevailing royalty rates in the heating industry were quite low [R. 1781], illustrating this conclusion with a particularly significant case in which a San Francisco client, having patents giving it a monopoly on a certain kind of wall heater, licensed the Westinghouse Electric Company for 1%, the license including the valuable privilege of access to the licensor's know-how and techniques [R. 1781-1783].

It is submitted that Holly was obliged to know that the fixing of a reasonable royalty was an important, and we believe the controlling, issue on the accounting trial. It also knew that the issue was being tried. However, Holly chose not to introduce any evidence as to the prevailing

rates of reasonable royalty in the industry. Neither did it offer expert evidence as to what a reasonable royalty would be on a wall heater appliance. Yet, being in the heating industry, it was unquestionably in a position to dispute Coleman's evidence if it considered it disputable. Thus the uncontradicted evidence established 1% as a maximum reasonable royalty. One percent of Coleman's total sales is \$76,350.62.

Such a determination would be in accord with the views of this Court that a conservative, factually-based approach should be taken in the calculation of a reasonable royalty. In *Dunkley Co. v. Central California Canneries*, 7 F. 2d 972, 977, at page 977 (9th Cir., 1925), this Court said:

"When the court is called upon to fix a royalty, it should be conservative in determining the amount. (Citation omitted.) The amount named should not be so high as to preclude the use of the patented machine."

The same view was recently reiterated by this Court in *Faulkner v. Gibbs*, 199 F. 2d 635, 639-640 (9th Cir., 1952).

On the facts of this case it is doubtful whether a licensee would in fact have been willing to pay \$76,350.62 for Coleman's inconsequential use of Holly's patent. But certainly no one would have paid more than that, and no reasonable licensor in Holly's position could have expected to find a licensee willing to pay such a price.

It is respectfully submitted, therefore, that an award of \$76,350.62, based upon a 1% royalty, is the maximum award which the record can sustain, and would represent more than adequate compensation for any loss which, upon any theory, Holly could be deemed to have incurred.

**b. Possible Judgment Based on a Six Percent Royalty.**

As hereinbefore pointed out, the Special Master's Finding II [Report of Special Master, R. 61] was that 6% of Coleman's sales would be a reasonable royalty, which finding the Trial Court adopted when, in its Finding XXIX [R. 432], it approved all of the Master's findings not inconsistent with its own. Therefore, presumably this Court might adopt the 6% royalty figure.

It is respectfully submitted, however, that to one familiar with the record of this case a judgment of \$458,103.72, which would represent a 6% royalty, for the supposed use of a leakage of infringing air which Coleman did not want, and which was actually of no use to it whatsoever, is manifestly excessive. No reasonable licensee would have paid \$458,103.72 for the use of Holly's patent on these facts, and we believe that merely to state the proposition exposes its absurdity. Nor would a reasonable patent owner have expected to find a person so profligate with his money. As noted hereinbefore, in order to attempt to justify this high figure it was necessary for the Special Master to assume that Coleman *should* have made the same rate of profit as Holly said it made upon its own sales [Report of Special Master, R. 51-52]. It has been demonstrated that Holly offered no proof that it made such a rate of profit on its wall heaters (Part I(3), above). But whatever Holly's profits might have been it is obvious that such an award would compensate it many times over for any conceivable loss. Before the Trial Court's judgment in this case, Coleman would have regarded an award based upon a 6% royalty as fantastic and as one imposing a heavy penalty. Without expressing disrespect for the

Trial Court, the fact is that in all matters involving these parties, both in this and the companion case, rulings have consistently been against Coleman. In these circumstances, rather than return to the Trial Court for further proceedings, Coleman would prefer to waive objection to a judgment based on a 6% royalty, if this were necessary to permit the litigation to be brought to an end in this Court.

**c. Possible Judgment Based on Rule De Minimis.**

It is respectfully submitted that this is actually a case to which the rule *de minimis* applies. Holly has failed to establish any actual damage. It has also failed to introduce any evidence concerning a reasonable royalty. A patent which has no value to a prospective licensee cannot in fact or in law command any royalty.

We have quoted above from the opinion of this Court in *Faulkner v. Gibbs, supra*, wherein it is said that in determining a reasonable royalty "it is permissible to show the value of what has been taken by the infringement by proving what would have been a reasonable royalty, *considering the nature of the invention, its utility and advantages, and the extent of the use involved.*" (Emphasis added.)

Breaking this down, and applying its elements to this case, it has been shown that "*the value of what has been taken* by the infringement" in this case was zero, the infringing air being mere leakage making no contribution to Coleman's heater (Part III(3), (5), above).

Its "*utility and advantages*" were likewise zero, and "*the extent of the use involved*" was nil if measured in terms of contribution to the heater, and insignificant when measured absolutely. Holly has neither sustained any actual damage nor yielded anything which had any value to Coleman.

When the patent owner fails to introduce any evidence upon which a reasonable royalty can be determined, and fails to prove actual damage, the rule *de minimis* is properly applied: *Rude v. Westcott*, 130 U. S. 152 (1889); *American Can Co. v. Goldee Mfg. Co.*, 31 F. 2d 492 (D. C. N. Y., 1927); See also *American Telephone & Telegraph Co. v. Radio Audion Co.*, 5 F. 2d 535-536 (D. Del., 1925).

### Conclusion.

It is respectfully submitted that the judgment in this case is based upon the erroneous theory that a patent owner is entitled to an award of lost sales without proving them. The damage issue was left entirely to speculation and conjecture, and it was assumed, without proof, that Holly would have made all of Coleman's sales but for the infringement. The evidence actually shows, to the contrary, that Holly could not possibly have made Coleman's sales during the infringement period any more than it did before or afterwards. The facts of the case did not permit such proof, and none was attempted. The amount awarded as supposed actual damages bears no relation to the facts and cannot be computed from any data in the record.

Holly chose not to introduce any evidence of reasonable royalty, and is dependent either upon Coleman's evidence on that issue or upon the finding of the Special Master as adopted by the Trial Court.

Coleman has been found in contempt without proof, or even evidence, that its modified device infringed the patent.

Penal damages and attorneys' fees have been assessed in a huge sum upon a record which supports no finding of improper motivation, but which affirmatively establishes good faith.

It is respectfully prayed that the judgment be reversed, and that this Court end the case by directing the entry of a reasonable judgment which can find support in the record.

Respectfully submitted,

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## APPENDIX.

### TABLE OF EXHIBITS (RULE 18)

Exhibits were received in three separate proceedings and are indexed below in three groups:

- I. Exhibits in Accounting Trial.
- II. Exhibits in Original Trial.
- III. Exhibits on Contempt Hearing.

#### I. Exhibits in Accounting Trial.

<u>Exhibit</u>	<u>Identification</u>	<u>Offered, or Marked for Identification</u>	<u>Received</u>	
1	R. 793-5	R. 794-5, 1082	R. 1084	
2	"	" "	"	
3	"	" "	"	
4	"	" "	"	
5	"	" "	"	
6	"	" "	"	
7	R. 963-4	R. 964, 1125	R. 1130	
8	R. 990-1	R. 991, 1125	"	
9	R. 999-1000	R. 1000, 1125	"	
10	R. 1000	" "	"	
11	"	"	"	
12	R. 1027	R. 1028	R. 1037	
13	R. 1028	"	"	
14	"	"	"	
15	"	"	"	
16	R. 1161	R. 1161, 1178	R. 1180	
17	"	" "	"	
18	R. 1167-8	R. 1168, 1178	"	
19	R. 1244-5	R. 1244-5	R. 1245	
20	R. 1311	R. 1311	R. 1343	
21	R. 1311-2	R. 1312	R. 1343	(?)
22	R. 1312	"	"	
23	"	"	"	
24	"	"	"	
25	"	"	"	
26	R. 1313	R. 1313	R. 1343	
27	"	"	"	
28	"	"	"	

<u>Exhibit</u>	<u>Identification</u>	<u>Offered, or Marked for Identification</u>	<u>Received</u>
29	R. 1313	R. 1313	R. 1343
30	R. 1313-1314	R. 1314	"
31	R. 1314	"	"
32	"	"	"
33	R. 1326-27	R. 1327	
34	R. 1328	R. 1329	"
35	R. 1333	R. 1333	"
36	R. 1341	R. 1341	"
37	R. 1394-95	R. 1395	R. 1458
38	R. 1395	R. 1395	"
39	R. 1395-96	R. 1396	"
40	R. 1396	"	"
41	"	"	"
42	"	"	"
43	R. 1397	R. 1397	"
44	R. 1658-59	R. 1659	R. 1663
45	R. 1688	R. 1688	R. 1689
46	R. 1758-59	R. 1759	R. 1766
47	R. 1768	R. 1768	R. 1768
48	R. 1805-6	R. 1805-6	R. 1806
49	R. 1806-7	R. 1806-7	R. 1807
A	R. 769-771	R. 771	R. 1081
B	R. 779-780	R. 780	R. 780
C	R. 906-7	R. 907	R. 1082
D	"	R. 908	"
E	"	"	"
F	"	"	"
G	"	"	"
H	"	"	"
I	"	"	"
J	R. 1062-63	R. 1063-1064	"
K	"	"	"
L	R. 1062-64	R. 1064	"
M	R. 1064-66	R. 1066	"
N	"	"	"
O	"	"	"
P	"	"	"
Q	"	"	"
R	R. 1266-71	R. 1267	R. 1291
S	R. 1274-79	R. 1279	"

<u>Exhibit</u>	<u>Identification</u>	<u>Offered, or Marked for Identification</u>	<u>Received</u>
T	R. 1359, 1358	R. 1359	
U	R. 1472	R. 1472	R. 1472
V	R. 1523-4	R. 1524-5	R. 1569
W	"	"	"
X	"	"	"
Y	R. 1572-73	R. 1573	
Z	"	"	
AA	R. 1597	R. 1597	R. 1598
BB	R. 1599	R. 1605	R. 1605
CC	R. 1615	R. 1615	R. 1615
DD	R. 1753	R. 1753	R. 1753
EE	R. 1756	R. 1756	R. 1756
FF	"	"	"

## II. Exhibits in Original Trial.

(Volumes I and II of the Transcript of Record identified as being "In Three Volumes" are reprints of part of the record on the original appeal. Volume III consists of exhibits and was not reprinted, by stipulation (R. 2019).)

<u>Exhibit</u>	<u>Identification</u>	<u>Offered, or Marked for Identification</u>	<u>Received</u>
1	Orig. R. 47	Orig. R. 47	Orig. R. 47
2	Orig. R. 47	Orig. R. 47	Orig. R. 47
3	Orig. R. 47-8	Orig. R. 47-8	Orig. R. 47
4	Orig. R. 203	Orig. R. 203	Orig. R. 204
5	Orig. R. 207-9	Orig. R. 209, 214-5	Orig. R. 215
6	Orig. R. 215-6	Orig. R. 215-6	Orig. R. 216
7	Orig. R. 216-7	Orig. R. 216-7	Orig. R. 218
8	Orig. R. 218	Orig. R. 218	Orig. R. 219
9	Orig. R. 274, 424		
10	Orig. R. 279	Orig. R. 279	Orig. R. 280
11	Orig. R. 280-1, 512-3	Orig. R. 281	Orig. R. 281
12	Orig. R. 281, 514-5	Orig. R. 281	Orig. R. 281
13	Orig. R. 367	Orig. R. 367	Orig. R. 369
14	Orig. R. 371-2	Orig. R. 372	Orig. R. 373
15	Orig. R. 423-4, 517	Orig. R. 423-4	Orig. R. 424
16	Orig. R. 423, 517-8	Orig. R. 423	Orig. R. 423
17	Orig. R. 48	Orig. R. 48	Orig. R. 48
18	Orig. R. 48, 519	Orig. R. 48	Orig. R. 49
19	Orig. R. 49, 525	Orig. R. 49	Orig. R. 49-50
20	Orig. R. 54	Orig. R. 54-5	Orig. R. 56
20-A	Orig. R. 55	Orig. R. 55	"
20-B	"	"	"
20-C	"	"	"
20-D	Orig. R. 55-56	Orig. R. 56	Orig. R. 56
21	Orig. R. 63-64	Orig. R. 64	Orig. R. 74
22	Orig. R. 72-73	Orig. R. 73	"
23	Orig. R. 74	Orig. R. 74	Orig. R. 114
24	Orig. R. 78	Orig. R. 78	Orig. R. 80
24-A	Orig. R. 80	Orig. R. 80	Orig. R. 80, 81
24-B	Orig. R. 81	Orig. R. 81	Orig. R. 81
24-C	Orig. R. 82	Orig. R. 82	Orig. R. 82
24-D	Orig. R. 83	Orig. R. 83	Orig. R. 83
25	Orig. R. 81	Orig. R. 81	Orig. R. 81
25-A	Orig. R. 82	Orig. R. 82	Orig. R. 82

<u>Exhibit</u>	<u>Identification</u>	<u>Offered, or Marked for Identification</u>	<u>Received</u>
25-B	Orig. R. 82	Orig. R. 82	Orig. R. 82
25-C	Orig. R. 83	Orig. R. 83	Orig. R. 83
25-D	Orig. R. 87	Orig. R. 87	Orig. R. 88
26	Orig. R. 88	Orig. R. 88-9	Orig. R. 89
27	Orig. R. 89-90	Orig. R. 90	Orig. R. 90
28	Orig. R. 90-91	Orig. R. 90-1	Orig. R. 91
29	Orig. R. 91	Orig. R. 91	Orig. R. 92
29-A	"	"	"
29-B	"	"	"
29-C	"	"	"
29-D	"	"	"
29-E	Orig. R. 91-92	Orig. R. 92	Orig. R. 93
30	Orig. R. 97, 526	Orig. R. 97	Orig. R. 98
31	Orig. R. 105, 527	Orig. R. 105	Orig. R. 105
32	Orig. R. 176	Orig. R. 176	Orig. R. 176
33	Orig. R. 187	Orig. R. 187-8	Orig. R. 188
34	Orig. R. 192	Orig. R. 192	Orig. R. 192
34-A	Orig. R. 430-1	Orig. R. 431	Orig. R. 432
35	Orig. R. 433, 535	Orig. R. 433	Orig. R. 435
36	"	Orig. R. 435	Orig. R. 436
37	Orig. R. 436-7, 536	Orig. R. 436	Orig. R. 437
38	Orig. R. 437	Orig. R. 437	Orig. R. 438
39	Orig. R. 438, 538	Orig. R. 438	"
40	Orig. R. 438, 439	"	"
41	Orig. R. 441	Orig. R. 442-3	Orig. R. 442-3
42	Orig. R. 444, 541	Orig. R. 444	Orig. R. 444
43	Orig. R. 446, 542	Orig. R. 446	Orig. R. 447
44	Orig. R. 450	Orig. R. 450, 451	Orig. R. 452
47	Orig. R. 487	Orig. R. 487	Orig. R. 491
A	Orig. R. 363	Orig. R. 363	Orig. R. 363
B	"	"	Orig. R. 363-4
C	Orig. R. 295, 296	Orig. R. 295	Orig. R. 295
D	"	"	"
E	"	"	"
F	"	"	"
G	"	"	"
H	"	"	"
I	Orig. R. 295, 297	"	"
J	"	"	"

<u>Exhibit</u>	<u>Identification</u>	<u>Offered, or Marked for Identification</u>	<u>Received</u>
K	Orig. R. 295-97	Orig. R. 295	Orig. R. 295
L	"	"	"
M	"	"	"
N	"	"	"
O	"	"	"
P	Orig. R. 295, 296	"	"
Q	Orig. R. 383, 543	Orig. R. 383	Orig. R. 383
R	"	Orig. R. 383	"
S	Orig. R. 49, 622	Orig. R. 49	Orig. R. 49
T	Orig. R. 144-5	Orig. R. 144	Orig. R. 146
U	Orig. R. 171	Orig. R. 171	Orig. R. 171
V	Orig. R. 270-1, 629	Orig. R. 270	Orig. R. 272
W	Orig. R. 289	Orig. R. 289	Orig. R. 294
X	Orig. R. 294	Orig. R. 295	Orig. R. 295
Y	Orig. R. 299, 734	Orig. R. 299	Orig. R. 300
Z	Orig. R. 302	Orig. R. 302	Orig. R. 316
AA	Orig. R. 310	Orig. R. 310	Orig. R. 316
AB	Orig. R. 311-2, 313	Orig. R. 316	"
AC	Orig. R. 317	Orig. R. 318	Orig. R. 318
AD	Orig. R. 318	Orig. R. 319	Orig. R. 319
AE	Orig. R. 319-320	Orig. R. 331	Orig. R. 331
AF	Orig. R. 322	"	"
AI	Orig. R. 323	Orig. R. 324	Orig. R. 324
AJ	Orig. R. 333	Orig. R. 333	Orig. R. 337
AK	Orig. R. 334	Orig. R. 335, 336-7	"
AL	Orig. R. 335-6	Orig. R. 336-7	Orig. R. 339
AM	Orig. R. 346	Orig. R. 346	Orig. R. 346
AN	Orig. R. 349	Orig. R. 349	Orig. R. 349
AO	Orig. R. 346-7	Orig. R. 347, 349	"
AP	Orig. R. 399	Orig. R. 399	Orig. R. 400
AQ	Orig. R. 404	Orig. R. 404	Orig. R. 404
AR	Orig. R. 405	Orig. R. 405	Orig. R. 405

### III. Exhibits on Contempt Hearing.

<u>Exhibit</u>	<u>Identification</u>	<u>Offered, or Marked for Identification</u>	<u>Received</u>
1	R. 451-2	R. 451-2	R. 452
2	R. 453	R. 453	R. 453
3	R. 454	R. 454-5	R. 455
4	R. 455	R. 455	"
5	R. 455-6	R. 456	R. 456
6	R. 460	R. 460	R. 460
7	R. 478	R. 478	
8-A	R. 480-1	R. 481	R. 483
8-B	"	"	"
8-C	"	"	"
8-D	"	"	"
8-E	"	"	"
9	R. 482	R. 482	R. 484
10	R. 520	R. 520	R. 520
11	"	"	"
12	R. 521	R. 521	R. 521
13	R. 526-7	R. 526	R. 527
14	R. 652	R. 651-2	R. 652
15	R. 653	"	"
16	R. 686	R. 686	R. 686
A	R. 462-3	R. 463	R. 463
B	R. 500	R. 500	R. 500
C	R. 500-1	R. 501	R. 501
D	R. 501	"	"
E	R. 505	R. 505	R. 505
F	R. 560-1	R. 560	R. 561
G	R. 570-1	R. 571	R. 571
H	R. 584	R. 584	R. 584
I	R. 584-5	"	R. 585





No. 16141

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

---

THE COLEMAN COMPANY, INC., a corporation,  
*Defendant-Appellant,*  
*vs.*

HOLLY MANUFACTURING COMPANY, a corporation,  
*Plaintiff-Appellee.*

---

## BRIEF OF PLAINTIFF-APPELLEE HOLLY MANUFACTURING COMPANY.

---

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**FILED**

APR - 3 1959

PAUL P. O'BRIEN, CLERK



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No. 16141

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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THE COLEMAN COMPANY, INC., a corporation,

*Defendant-Appellant,*

*vs.*

HOLLY MANUFACTURING COMPANY, a corporation,

*Plaintiff-Appellee.*

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## BRIEF OF PLAINTIFF-APPELLEE HOLLY MANUFACTURING COMPANY.

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### Introduction.

This Court has already decided that the patent involved in this accounting is valid, that the Coleman Company, Defendant-Appellant, infringed the patent, and specifically "that all of the essential parts and elements of appellee's device have been with immaterial variations, faithfully copied by appellant in its various models here claimed to infringe appellee's patent," and that the infringement was with knowledge of the patent and was "intentional, conscious and deliberate." (233 F. 2d 71, 83, 84, cert. den., 352 U. S. 952.) These issues are, therefore, *res judicata*.

After Coleman's petition for certiorari was denied, a final injunction was entered prohibiting further sales of the infringing devices. Soon thereafter the District Court found that Coleman was in contempt of court for failure to obey the injunction.

**Only the Amount of Damages Is Now Before  
This Court.**

This appeal concerns the accounting for damages which was conducted by the District Court after the mandate was issued by this Court on the previous appeal concerning the issues of validity and infringement. Coleman also asks this Court to review the citation for contempt.

Coleman comes to this Court as an adjudged willful and deliberate infringer, guilty of contempt of court as well. Nonetheless, it is now arguing that it should be required to pay only nominal damages or at most a small royalty, which would still leave it a very large profit on its infringement.

Coleman's position as a willful, deliberate infringer entitles it to no equitable consideration and certainly does not warrant placing Coleman in the advantageous position of a licensee who has made a deal on its own favorable terms.

Infringement of a patent is a tortious taking of the patent owner's property, and the purpose of an accounting in a patent case is to restore the injured party to the condition it would have been in had the infringement not occurred. Also, it is a fundamental principle of equity that a wrongdoer, such as the intentional tort-feasor of the present case, should not be permitted to benefit from its wrong.

**Holly's Damages Are Substantial.**

The District Court found that Coleman's tortious appropriation and copying of Holly's major product caused loss of profits to Holly and provided large profits to Coleman. The District Court based its award on the profits which it is reasonably probable that Holly would have

made on an additional volume of sales corresponding in dollar value to the infringing sales made by Coleman. The District Court increased the award based on lost profits  $33\frac{1}{3}\%$  to compensate Holly for the forced price reductions, the increased selling expenses, and curtailment of its market expansion, caused by Coleman's tortious appropriation of Holly's major product. The District Court also awarded punitive damages and attorneys' fees because of the willful and aggravated nature of the infringement.

Coleman argues that only nominal damages are justified on the contention that the evidence which formed the basis for the prior decisions concerning infringement, both by the District Court and by this Court, was mistaken and incorrect and that there was really no infringement at all.

**Coleman, an Adjudged Willful Infringer, Is Attempting to Retry the Entire Case.**

Throughout its opening brief, Coleman asserts over and over again that it has shown in the accounting proceedings that the evidence concerning infringement was erroneous. Such repetition might be effective before a jury. However, Coleman's assertion failed to impress the Special Master or the District Court. Contrary to Coleman's assertion, Holly did not concede the existence of such an error. In fact, Coleman's assertion was a matter of direct dispute and was rejected by the District Court after it had viewed tests on the issue of the claimed error. Apparently Coleman feels that if it continually repeats its false assertion, it will eventually gather some substance. However, Coleman has presented *no new evidence on this issue* during the accounting proceedings.

Instead, Coleman is rearguing *the very same evidence on infringement* which was rejected by the District Court and this Court affirmed. Coleman is endeavoring to retry the entire case in the accounting proceedings.

**This Appeal Legitimately Involves Only  
Three Fact Issues.**

This appeal involves only three basic issues as set forth on page 7 of Coleman's opening brief. All are issues of fact. They are:

1. The amount of Holly's damages resulting from Coleman's tortious evasion of its rights.

2. The finding of the District Court that Coleman sold infringing heaters after the final injunction, as set out in the judgment for civil contempt.

3. The finding of the District Court that Coleman's conduct amounts to unfairness or bad faith so as to warrant awards of exemplary damages and attorneys' fees.

This litigation has been going on for nearly six years and the District Court has had the parties and their witnesses before it on three separate occasions—at the original trial in 1955, at the hearing for civil contempt in 1957, and at the hearing on the accounting in 1958. Inter partes tests were conducted on two occasions—prior to the original trial and at the hearing for civil contempt. The latter tests were observed by the District Court. All of these proceedings were before the same judge, William C. Mathes.

In disregard of this Court's appellate function and, indeed, its appellate jurisdiction, Coleman is asking the



Court to try *de novo* the disputed questions of fact that were settled below. But this Court, which heeds “the admonition that appellate courts should be slow to impute to trial courts a want of diligence or perspicacity” (*Cavness v. United States*, 187 F. 2d 719, 723 (9th Cir., 1951)) will not so usurp the functions of the District Court.

The Supreme Court has stated with respect to patent cases:

“Like any other issue of fact, final determination requires a balancing of credibility, persuasiveness and weight of evidence. It is to be decided by the trial court and that court’s decision, under general principles of appellate review, should not be disturbed unless clearly erroneous. Particularly is this so in a field where so much depends upon familiarity with specific scientific problems and principles not usually contained in the general storehouse of knowledge and experience.” (*Graver Tank & Manufacturing Company, Inc. v. Linde Air Products Co.*, 339 U. S. 605, 609-610 (1949).)

Coleman’s statement of the case in its opening brief is distorted and incomplete. We are, therefore, compelled to present a true statement of the facts on behalf of Holly.

## Statement of the Facts and the Manner in Which the Questions on This Appeal Arose.

### Holly Places the Patented Wall Heaters on the Market and Achieves Immediate and Pronounced Commercial Success.

Holly started business in 1938 with one employee. [R. 1385.] It progressed rapidly in the heater business, its progress being predicated in large part on the development of leading products. [R. 1389-1394.] During the war years Holly developed an oil-burning furnace which was ahead of its competition, and in 1945, Holly developed an entirely new design of floor furnace which made it unnecessary for builders to dig a pit under the house to accommodate the furnace. No one else had such a furnace at the time, and the demand for the furnace helped Holly develop in Southern California an excellent dealer organization. [R. 1391.] Mr. Olds, who was in charge of major appliance design for Coleman, corroborated the fact that Holly was a leader in developing new products in the heating field. [R. 1306.]

By the year 1950, Holly had progressed to the point where it was supplying 11.3% of all the wall heaters sold in the United States [Orig. R. 542], and was in a firm financial position. [R. 1390.] But its wall heaters, like those of other manufacturers, were subject to a number of objections (mainly that the wall above the heater was too hot and that the heaters did not heat the room as well as they should), which Holly sought to overcome. In that year, Holly introduced the improved wall heater which is the subject of the patent in suit. This heater overcame the objections. It eliminated the hot wall problem. It improved the circulation of air in the heated room, and it minimized the heat loss due to warm air being sucked

out of the room into the flue through the draft hood. These features were made possible by the use of a secondary heat exchanger of unique construction disposed above the primary heater. Holly's wall heater sales climbed rapidly, so that in 1951, they constituted 19.1% of the national market [Orig. R. 542], almost double what they had been in the previous year. By 1952, Holly's sales were on a nationwide basis and amounted to about \$3,-300,000. [Accounting Ex. 24.] More than eighty percent of these sales were accounted for by its new patented wall heaters with the secondary heat exchanger. [R. 1423.]

**Coleman Copies Holly's Heater and Continues Its Infringement After Falsely Representing That It Will adopt a Non-Infringing Design.**

In July, 1951, Coleman's president instructed his appliance design group to produce a wall heater like the Holly heater. Coleman's heater then in production was not competitive with the Holly heater. He stated with respect to possible infringement of Holly's patent rights that "he would take care of the matter when it came up." [R. 1250-1252.]

Holly's single patent on its new wall heater (the patent in suit) issued in July, 1952. In September, 1952, Coleman asked Holly for a license under the patent and was refused. [R. 1255, 1256, 1436.] Coleman chose to disregard the patent and started selling its infringing heaters the next month. Holly thereupon served notice of infringement, and Coleman, through its counsel, Mr. Dawson, assured Holly that it would cease infringement by redesigning its heater [Orig. R. 514] and furnished Holly with a drawing of the heater it alleged it was about to substitute for the infringing model. [Orig. R. 516.]

But when Coleman's redesigned heater came on the market, Holly discovered that it did not live up to Mr. Dawson's assurances and that Coleman continued to infringe.

Holly endeavored to avoid litigation, and offered Coleman a limited license for one year to permit Coleman to dispose of the infringing heaters. [R. 1437.] But Coleman refused this proposal and continued the infringement.

**Holly Brings Suit for Infringement and Coleman Conducts False Tests Designed to Show Lack of Infringement.**

Holly brought this suit on September 23, 1953. In January, 1954, at the University of Wichita, Coleman staged certain tests that were calculated to show that its heaters did not infringe. Holly's representatives were invited to attend the tests, and the first of Coleman's long line of counsel, Mr. Dawson, took depositions in connection with them. This was the first time that Mr. Dawson ever witnessed tests of the infringing heaters. [R. 786.] The furnaces employed in the tests were not installed in accordance with Coleman's own operating instructions. [Orig. R. 476, 594.] Contrary to the instructions, the front panels on the heaters were improperly placed, so that there were large gaps through which considerable flow of air occurred to distort the normal air-flow patterns in the heater. The tests were further falsified by partially blocking the space between the rear wall and the heater with plaster. Both the improper leaks and the plaster blocks were observed and pointed out by Holly's representatives. [Orig. R. 477.] Thereupon, Mr. Dawson was seen no more, except briefly as a witness for Coleman during the accounting.

### **The Original Trial.**

At the trial before the District Court, Coleman was represented by the firm of Lyon and Lyon. Coleman admitted that its heaters contained every element of the patent. (233 F. 2d 71, 84.) The only issue involved the manner in which the heaters functioned. Three "experts" for Coleman, Messrs. Kice, who was assistant to the President of Coleman, Blazier and Petoﬀ, of the University of Wichita Research Foundation, testified at length as to how Coleman's heaters operated and what the air flows were. Holly produced witnesses who presented testimony in contradiction to that of Coleman's "experts." The District Court resolved this conflict of testimony, made extensive findings of fact, and concluded that the patent was valid and infringed.

It should be pointed out that with respect to Coleman's present contention that the heaters were not properly tested since a large source of air to the economizer was overlooked, Coleman's witness unequivocally testified that such a source did not exist. [Orig. R. 360, 361.]

### **The Original Appeal.**

Coleman, again represented by Lyon and Lyon, appealed from the decision of the District Court and alleged that the District Court had made forty-eight specified errors. But this Court found no merit in any of the alleged errors, approved the findings of the District Court, and held that the patent was valid and characterized Coleman as an intentional, conscious and deliberate infringer.

On the issue of invention, this Court held that:

"From the entire record it appears that a 'heat exchanger' or 'economizer' of this peculiar construction and arrangement has never been embodied in any type

of mechanical wall heater apparatus prior to its application and use in the Holly device. The earlier patented devices, all of which were in evidence, cannot be said to embody in any material way the dual heat passing functional operation accomplished by the use of the upper box 'economizer' integrated into the complete Holly device. In our opinion this arrangement of parts has caused all of the elements incorporated in the Holly combination to cooperate in a new way to produce a new, useful and unexpected result in the room-heating art. This combination spells out both novelty and utility. As reduced to practice its attributes have caused the Holly device to take on a new and unique quality and distinction which clearly makes it a new and useful improvement in wall heaters fired with gaseous fuel and as such it represents a measurable and substantial advance and improvement in the room-heating art and a valuable contribution thereto.

" . . . In our view the whole of the Holly device yields 'surprising consequences' which others in the heating field failed to find 'obvious'." (233 F. 2d 71, 79, 80.)

This Court went on to hold that:

" . . . the Holly patentees clearly appear to have parted company with the basic design portrayed by these concepts to create something *new in overall construction and functional operation*\*—a compact unitary wall device which could easily be adapted to the modern pattern and mode of living under conditions or urban life (or where gas would be available) and where an effective and reliable single-room gas-burning heater device would be highly desirable and certainly very useful." (233 F. 2d 71, 84.)

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\*Emphasis ours.

On the issue of infringement this Court observed that the claims cover the Coleman wall heater in its entirety, saying:

“A brief glance at the claims of the patent in issue reveals that the Holly patentees definitely *claimed* the structure and utilization of this new ‘economizer’ assembly as an essential and integral part of their binary device.” (233 F. 2d 71, 80.)

“A careful consideration of the entire record (including exhibits) convinces us that all of the essential parts and elements of appellee’s device have been, with *immaterial variances, faithfully copied\** by appellant in constructing its various models here claimed to infringe appellee’s patent. There is most persuasive evidence in the record to sustain this conclusion.” (233 F. 2d 71, 83.)

Lastly, as we have already noted, this Court held that Coleman’s infringement “has been and is intentional, conscious and deliberate.” (233 F. 2d 71, 84.)

#### **The Petitions for a New Trial and for a Rehearing.**

Upon receipt of this Court’s decision, Coleman moved for a new trial on the ground of “newly discovered evidence,” the British Patent No. 502,945 granted in 1939 to Darby, and also made a petition for a rehearing before this Court. It is unnecessary to go into the details of these maneuvers by Coleman, for this Court found both the motion for a new trial and the petition for rehearing to be without merit, but it is interesting to observe that Coleman’s principal counsel at this stage of the proceedings was the Wichita firm of Foulston, Siefken, Schoepel, Bartlett and Powers, the third firm that entered the arena for Coleman.

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\*Emphasis ours.

### **The Petition for a Writ of Certiorari.**

Coleman's next effort was a petition to the Supreme Court for a Writ of Certiorari, this effort being spearheaded by the fourth counsel to be employed by Coleman, Mr. Dean Acheson. Certiorari was denied in December, 1956, and the injunction became final.

### **The Contempt Proceeding.**

During all of the preceding long, drawn-out period of litigation, Coleman continued to make and sell the infringing heaters. Nor did it cease to infringe when the injunction became final. On the contrary, Coleman persisted in selling the identical infringing heaters together with a small piece of metal, a "chute," included in the cartons in which the heaters were sold, along with installation instructions for the chutes. In consequence, Holly brought a motion for civil contempt for violation of the injunction. Coleman appeared at the contempt trial with new counsel, Mr. Stanbury, a new Vice-President, Mr. Newton, and a new expert, Mr. Harmon. Coleman, represented this time by its fifth counsel in the matter, introduced evidence purporting to show that the addition of the chute avoided infringement, and also introduced evidence purporting to show that there were air flows (the "brown" air) in the prior Coleman heaters, previously held to infringe, which likewise avoided infringement, and undertook to demonstrate these alleged facts by tests of the heater, with and without the chute, in the presence of the District Court. Mr. Stanbury asserted, prior to these tests, that they would "put the matter at rest." [R. 445.] The District Court witnessed the Coleman tests and also witnessed tests conducted by Holly which showed that the "brown" air path into the economizer was insignificant and that the tests on which the Court based its finding of



infringement presented a true picture of the functioning of Coleman's heaters. The tests did "put the matter at rest" for after witnessing the tests and hearing oral argument, the District Court held that the heaters, with the chute installed, still infringed the patent and held Coleman in contempt.

### **The Accounting.**

After the contempt proceeding, the case was referred to a Master to ascertain Holly's damages. Mr. Tilton, Mr. Dawson's partner, appeared for the first time, and assisted Mr. Stanbury, and Coleman brought in another new expert, Mr. Berry.

### **Determination of Coleman's Profits from the Infringement.**

Coleman admitted a profit of approximately \$600,000 [Accounting Ex. A] on the infringing heaters, but had not kept separate accounts of the infringing operation, and during the hearings on the accounting it became apparent that Coleman had made a number of improper allocations of expenses. For example, it had even charged a portion of Coleman's legal expenses in this very litigation against profits on the infringing heaters. The Master accepted part of Holly's corrections and found that Coleman's profit was \$785,975. The District Court accepted the rest of Holly's corrections and found that Coleman's true profits from the infringing operations amounted to \$1,186,537. Coleman, on this appeal, does not object to this Finding XVIII of the District Court nor did it object to the supporting Findings XIV, XV, XVI, and XVII. The figure must be taken as correct and represents a minimum figure for Holly's damages.

The profit figure of \$1,186,537 does not represent the entire advantage that accrued to Coleman from the in-

fringement. Mr. Kuhn, Coleman's treasurer, in an affidavit filed in support of Coleman's petition for a stay of the District Court's injunction, swore that without the infringing heaters, Coleman's entire Heating Appliance Division, which accounted for 40% of its entire business, would have been unprofitable [R. 6], and that Coleman might be forced to close its Los Angeles and San Francisco offices because of lack of business. [R. 9.]

**Determination of Holly's Profits on Sales Lost  
Due to Coleman's Infringement**

During the accounting, Holly showed that its own actual profit margin on the patented heaters was higher than Coleman's and amounted to a net profit of 19%. The Master so found as did the District Court. [R. 61, 426.] Coleman's sales of the infringing heaters subject to this accounting amounted to \$7,635,062, as the Master and the District Court found, and again Coleman does not object to this finding on this appeal. If Holly had sold Coleman's infringing heaters, in addition to its own patented heaters, it is a simple matter of arithmetic to determine that its profit would have been 19% x \$7,635,062, or \$1,450,661.

During the accounting proceeding, Holly showed that throughout the infringing period only Holly and Coleman sold the patented heaters, that there were no other heaters on the market that had the same sales features, that these features were the important ones for both parties' heaters, that Holly and Coleman were in direct competition with each other throughout the country and at all levels of distribution, that Holly was in good financial condition and could have produced all the infringing heaters of Coleman, and that Holly's sales of the patented heaters increased markedly before Coleman entered the field, decreased dur-

ing the infringing period, and increased immediately after the infringement ceased. The Master accepted all of this evidence and made corresponding findings. All of this evidence shows that Holly, in all reasonable probability, would have manufactured and sold the additional patented heaters represented by Coleman's infringement and would have made the profit of \$1,450,661 calculated in the foregoing paragraph.

The Master recognized that "Holly may have been able to make all the sales made by defendant or at least a large percentage of them. Its percentage of the national market would have exceeded 20% but for the infringement" [R. 52], but refused to award the profits on Coleman's sales at Holly's profit margin on the ground that some of Coleman's customers might have bought heaters other than the patented heaters since they were "not compelled to use plaintiff's patented heater or go without heat." [R. 53.] In consequence of this view, the Master based his award on the profits made by Coleman but remarked that "plaintiff's damages amount *at least* to the profits made by the defendant." [R. 54.]

Throughout the accounting, Coleman contended that Holly, in order to recover its lost profits, must prove that it would have made *each and every* Coleman sale if Coleman had stayed out of the field. Holly disagreed with this view of the law, and contended that in order to recover its lost profits of \$1,450,661, it had only to show that it was *reasonably probable* that it would have made the sales and that the evidence satisfied this requirement. The District Court agreed with Holly's view of the law and awarded Holly's lost profits calculated by applying Holly's percentage of profits to Coleman's volume of sale; *i.e.*,  $19\% \times \$7,635,062 = \$1,450,661$ , as previously described. [R. 426.]

**Determination of Profits Lost by Holly on Its Own Sales Due to Price Reductions and Increased Selling Expenses Forced by Coleman and Due to Coleman's Interference With Holly's Market Expansion.**

During the accounting, Holly contended that an award of profits, calculated as just described, would not afford complete compensation for the infringement, because the figure does not reflect the fact that, but for Coleman's competition, Holly would have made a larger profit on its own sales of the patented heater and does not reflect Coleman's interference with Holly's market expansion. The Master found that "the evidence shows that plaintiff was forced to reduce the selling price of its heater because of defendant's competition. It also shows that plaintiff was required to exert increased selling efforts and expenses to meet the competition." [R. 52.] The Master calculated that the enforced price reduction and increased sales costs amounted to at least \$280,000 [R. 50] but, strangely, did not award this sum to Holly, nor did the Master make any measurement or award of damages for Coleman's interference with Holly's general market expansion. When these anomalies were called to the attention of the District Court, it held that:

"Damages computed on the basis of plaintiff's lost profits or damages on the basis of defendant's actual profits do not compensate plaintiff for forced price reductions, or increased selling expenses and curtailment of plaintiff's market expansion caused by the infringement; the damages suffered by plaintiff due to forced price reductions and increased selling expenses amount to not less than \$280,000; and plaintiff's damages as actually computed on the basis of plaintiff's lost profits should be increased not less than  $33\frac{1}{3}\%$  to provide full compensation for the injury caused to plaintiff by the defendant's intentional tort." [R. 430.]

Pursuant to the foregoing finding, the District Court computed an additional award of \$483,553.93, arrived at by multiplying the figure of plaintiff's lost profits on Coleman's infringing sales (\$1,450,661.78) by 33⅓%. [R. 436.]

#### **The Aggravated Nature of Coleman's Tort.**

The fact that Coleman's infringement was willful, conscious and deliberate is, as we have already observed, *res judicata*. During the accounting, Holly urged that Coleman's conduct was such as to justify an award of punitive damages.

The Master refused to recommend such an award with respect to damages accruing prior to final injunction on the sole ground that "defendant in good faith relied on expert opinions to the effect that the patent involved was not infringed." [R. 67.] The Master made no finding with respect to damages accruing after final injunction "in view of the fact that the (District) Court heard the evidence on the contempt proceeding and so is in a better position than the Master to determine if the defendant in good faith relied upon expert opinions that the changes made eliminated the infringement." [R. 67.]

In a review of the Master's findings before the District Court, Holly pointed to a number of examples of Coleman's conduct, other than the fact that it was willful, intentional and deliberate, which justified an award of punitive damages. Holly also showed that Coleman's experts were not sufficiently informed to provide an opinion upon which Coleman could in good faith rely.

The District Court, after reviewing the evidence, found that the infringement was not only willful and deliberate, but "in complete disregard of plaintiff's patent rights, and although it had notice of plaintiff's patent, defendant

did not exercise due care to ascertain whether or not it was infringing plaintiff's patent, or at any other time." The District Court further found that "the defendant's conduct amounts to unfairness or bad faith . . . ." [R. 431.] In consequence of these findings, the District Court increased damages by 25%, trebled those accruing after the final injunction, and also awarded Holly attorneys' fees. The figure of 25% was applied to Holly's lost profits on Coleman's infringing heaters; *i.e.*, \$1,450,661.78, the result being exemplary damages in the amount of \$362,665.45. For infringement after final injunction the Court awarded treble damages in the amount of \$69,483.38. The figures for attorneys' fees were \$130,000 plus \$9,269.77 in the contempt proceedings.

### Summary of Argument.

Coleman is paying no more than lip service to the prior decisions of the District Court and of this Court and is again rearguing the entire case, particularly the issue of infringement.

Coleman asserts that the evidence upon which the prior decisions of the District Court and of this Court are based is mistaken and incorrect and that there was really no infringement at all. However, no new evidence has been submitted. Coleman is merely rehashing the prior evidence and arguments.

Also, Coleman is re-arguing disputed questions of fact, such as percentages of air flow and the importance of such air flow, which were settled by the Trial Court after witnessing inter partes tests.

In its endeavor to re-argue the entire case before this Court, Coleman is not only arguing disputed questions of fact settled in the court below, but it is also arguing points

that are not included in its Points on Appeal or in its Specification of Errors.

The willful nature of the infringement, the advance in the art provided by the invention, and Coleman's appropriation of the entire invention precludes assessment of damages on the basis of a reasonable royalty, on the basis of the advantage provided by the infringing device over a standard of comparison, or on the basis of apportionment of the profits.

The proper measure of damages under the facts of this case is the profit which it is reasonably probable that Holly would have made on the infringing sales since that profit is larger than the profit which Coleman made on the infringing sales. Undeniably Coleman caused Holly to lose such profits.

Coleman's profit was less than the profit which it is reasonably probable that Holly would have made on the infringing sales and, hence, is not the proper measure of damages in this case. However, Coleman's profit would be the proper measure of damages if it had been larger than Holly's probable profits. At a minimum, therefore, Holly would be entitled to recover Coleman's actual profit, \$1,186,537, irrespective of whether or not Holly would have made the sales which Coleman made if Coleman had not entered the field. This is because an infringer's profits is one of the traditional measures of damages, on the age-old theory that a wrongdoer shall not be allowed to profit from his wrong. Coleman was an intentional tort-feasor and should not be permitted to retain its ill-gotten gains.

An award based on profits, either Holly's lost profits or Coleman's actual profits, does not fully compensate Holly for its injury. In addition to these items of damage, Holly suffered price reductions on its own sales which were

forced by Coleman's competition, increased selling expenses on the part of Holly as a result of Coleman's competition with the very same product, and curtailment of its market expansion based upon use of the patented wall heater as a leading product. The increase in the award in the amount of  $33\frac{1}{3}\%$  to compensate Holly for these injuries is proper and is well supported by the evidence in the record before this Court.

Whether or not the sales of the wall heaters after the injunction became final were in contempt of court is purely a question of fact. The sole issue is whether or not the wall heaters sold with chutes infringed Holly's patent. The issue of infringement is a question of fact. The District Court found infringement. Great weight is given a trial court's determination of questions of fact, particularly when the determination is based upon an inspection of physical apparatus and inter partes tests of the apparatus.

The punitive increase in damages and the award of attorneys' fees are well supported by the evidence of record in this case. Coleman was a willful tort-feasor. It deliberately pirated Holly's major product and deliberately infringed Holly's patent. It acted in complete disregard for Holly's proprietary rights, its patent counsel was not sufficiently informed concerning the wall heaters to render an opinion upon which Coleman could rely in good faith, and it made many misrepresentations to Holly concerning the infringement.

Coleman is arguing issues of fact only. No issues of law are presented. Due to the extensive legal proceedings before it, the District Court was in excellent position to balance the credibility of the witnesses, and to balance the persuasiveness and weight of the evidence. Its judgment on all the issues is well supported by the record before this Court.



## ARGUMENT.

### I.

#### Coleman Pays No More Than Lip Service to the Prior Decisions in This Case and Is Endeavoring to Re-argue the Issue of Infringement.

Throughout its brief Coleman, in a last-ditch effort, contends that the evidence upon which the prior decisions were based, including the decision of this Court, was mistaken and incorrect. Coleman argued the very same thing before both the Special Master [R. 1818-1821] and the District Court [R. 1863-1866] repeatedly, but to no avail.

Coleman bases its argument on the false contention that one of Holly's experts, Mr. Landsberg, admitted during the contempt proceedings that his tests and calculations were mistaken and incorrect. The contention is not true, and cannot be supported in the record.

At the original trial on the issue of infringement, Mr. Landsberg testified concerning the amount of air which the secondary heat exchanger or economizer of the Coleman heater derived through the passageway about the sides and back of the lower box of the heater.\* It was 57% for Coleman's early type heaters and 22% or 23% for the rest of the heaters which constituted most of Coleman's sales. [Orig. R. 226, 227.]

Mr. Landsberg made the same kind of tests and gave testimony at the contempt trial with respect to the heaters employing a chute which were sold after the injunction became final. The amount of this air was 16% to 17%. [R. 489.]

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\*At the original trial, the major issue on infringement was whether the Coleman heaters contained a conduit for air to be taken into the economizer from around the lower box as called for by one element of the claims.

After giving this testimony at the contempt trial, Mr. Landsberg was asked on cross-examination if his calculations would be destroyed if it is a fact that there was a major source of air (the so-called "brown" air) which he had not considered. He responded, "If it is a fact, there is a question as to the path that that air took to get to the economizer." [R. 558.]

Thus, Mr. Landsberg's answer merely said that if it is a fact that there was a major source of air for the economizer which he had not considered, then there might be some question about his computations. Mr. Landsberg's answer was not an admission that his computations were incorrect.

After this cross-examination of Mr. Landsberg, Coleman endeavored to show that there was another major source of air for the economizer. It contended that a joint in the top of the lower box served as a major source of air for the economizer. It called the joint a "scoop." In reality, it was an overlapping closure between two portions of the lower box, and it did not serve as a major source of air for the economizer. (Coleman's present contention about this major source of air is just the opposite of its contention during the prior trial on the issue of infringement. There its expert Mr. Kice stated that the air heated in the lower box is not used at all in the economizer. He said "There is no way for it to get in there directly. The only way would be indirectly." [Orig. R. 360-361.] )

After Coleman endeavored to show that the joint, or "scoop" provided air to the economizer, Mr. Landsberg made additional tests. He tested a Coleman heater with a tape across the joint or "scoop" through which the major source of air was supposed to flow. Then he removed the

tape. The first test showed that the economizer received 14.9% of its air from the channel about the sides and back of the heater. [R. 686.] The second test showed 19.4% [R. 687.]

Thus, the joint or “scoop” did not serve as a major source of air for the economizer. The most that can be said for the joint or “scoop” is that it may have reduced the flow of air through the passageway between the sides and back of the wall heater from 19.4% to 14.9%. The difference—4.5%—is the amount of air which flows through the joint or “scoop.” Comparatively, this is not a major source of air by any means.

The District Court found that Coleman’s so-called “major source” of air provided at best 6% of the air for the economizer [R. 766], and held that the air which was provided through the passageway about the sides and back of the heater was sufficient to affect the efficiency and operation of Coleman’s heaters [R. 41], as discussed more fully in Section X of this brief.

The issue of infringement is *res judicata*. The evidence upon which the decisions concerning infringement are based is not mistaken and incorrect, as contended by Coleman. It is merely endeavoring to re-open the entire case.

## II.

**Coleman, in Disregard of This Court’s Appellate Function, Is Re-arguing Disputed Questions of Fact That Were Settled by the Trial Court.**

Coleman contends that its computations showing the flow of air through the passageway about the sides and back of the lower box to be mere leakage of the order of .6% to 3% of the total air supplied to the economizer, are correct and stand uncontested and uncontradicted. (Br. 6, 11, 18, 20, 23, 47, 48, 50, 71, 75.)

Nothing could be farther from the truth! Coleman's computations relate to the issue of infringement, which is a question of fact. (*Martin v. Be-Ge Mfg. Co.*, 232 F. 2d 530 (9th Cir., 1956).) This question of fact has been contested vigorously and resolved in every instance in Holly's favor.

The computations which Coleman now contends to be correct are those of its Mr. Newton.

The same figures based upon the same unreliable smoke tests were presented at the original trial where Coleman contended that the flow of air through the passageway about the sides and back of the lower box was leakage of the order of 3% or 4% of the total air supplied to the economizer. [Orig. R. 395, 406.] The District Court found otherwise and this Court affirmed.

The same computations were presented at the contempt trial, where Coleman contended that this flow of air was 1.3% without the chute and .6% with the chute installed. [R. 645.] The District Court found that the flow of air was much larger. [R. 766.]

The same computations were presented during the accounting where Coleman contended that this flow of air was 3.1% without the chute and 1.3% with the chute installed. [R. 1594.] But the District Court reaffirmed its finding of infringement with respect to the sales, both before and after the judgment became final, and awarded substantial damages on both types of sales.

Coleman again urges, as it did before the District Court, that its computations concerning air flow in the accounting are based upon something new. Before the Special Master and the District Court Coleman's counsel urged that the results shown by these computations render the assessment of damages like in a wrongful death action

after the supposedly dead person walks into the court room.  
[R. 1826, 1866.]

Nothing new has been added in the accounting proceedings concerning the amount of air which enters the economizer or heat exchanger from the space about the sides and back of the lower box. Coleman's Mr. Newton testified in the accounting proceedings, with respect to the data upon which he based his computations, that "I used the data which I took from the record in the contempt part of the trial." [R. 1593.] In response to the question "May we ask precisely what part of the record this data is, what page?", Coleman's counsel stated "It is in Volume III (of the contempt transcript) and it describes it when the Court was present." [R. 1594.] Mr. Newton went on to say "I took the data with the chute mainly from page 209, and without the chute mainly from page 240." [R. 1594.] *Clearly nothing new was added concerning percentages of air flow during the accounting proceedings.* Mr. Stanbury so stated when he said "And this is not new evidence." [R. 1593.]

Evidence was presented by Coleman during the accounting proceedings concerning the effect of this flow of air on the efficiency of the Coleman heaters and on the temperatures of the wall in which the heaters are mounted. This evidence was the testimony of Mr. Berry concerning *ex parte* tests which he *conducted*. Mr. Berry gave no testimony or test results concerning percentage of air flow.

Moreover, Mr. Berry admitted that his test procedure was incomplete as far as the requirements of the A.G.A. (American Gas Association) are concerned, because he did not measure the wall temperatures above the economizer outlet grille and the temperatures along the wall behind the economizer outlet grille. [R. 1550, 1553.]

Mr. Berry further admitted that the back wall temperatures which he did not measure "would have been probably high" [R. 1556], that with respect to a solid metal member for preventing the flow of air from the space about the lower box to the economizer, "It's conceivable that the conduction of heat along a solid member going to the wall would conduct enough heat so that the temperature might be too high" [R. 1560]; and that "there were a number of places in this top panel" having temperatures which would not have passed the A.G.A. requirements. [R. 1566.]

Thus, the tests of Mr. Berry are of no significance at all concerning the efficiency of the heater. However, these tests did indicate that with the flow of air from about the sides and back of the lower box to the secondary heat exchanger cut off completely, the Coleman heater would not have even come close to passing the A.G.A. requirements concerning wall temperatures. Apparently this flow of air was essential; without it Coleman's heaters would not have passed the standards imposed by the A.G.A. and could not have been sold. [Orig. R. 173.] Mr. Berry further corroborated this when he pointed out that the air flow in these heaters is "very, very important . . . because you have such a very small amount of heating surface (in a wall heater located in the space between a pair of studs). It is really ridiculous that you can get by with that small amount of heating surface with a 35,000 BTU heater." [R. 1567.]

The District Court has found with respect to the sales both before and after the injunction became final, that the quantity of air entering the economizer from around the back and sides of the lower box was of sufficient quantity to affect materially the efficiency and operation

of Coleman's heaters. [Interlocutory Findings VI, VII; R. 40-41.] This question of fact was settled by the Trial Court after it viewed tests of the heaters, and its decision is entitled to great weight.

### III.

#### **Coleman Is Precluded From Arguing Many of the Points Raised in Its Brief Because of Its Failure to Comply With the Rules Concerning Appeals.**

Coleman, in its endeavor to completely re-try the present case before this Court, is not only arguing disputed questions of fact, but is also arguing points that are not included in its Points on Appeal under Rule 17 or its Specification of Errors, under Rule 18.2(d), as follows:

1. Coleman now asserts (Br. 41, 52) that the only feature covered by Holly's patent is a channel for conveying air to the secondary heat exchanger or economizer. However, the District Court and this Court of Appeals found that the invention is a combination of elements providing a new overall construction and operation, and that no particular element or group of elements less than the entire combination constitutes the invention. This is set forth in Finding XIX, yet Coleman did not list this finding or its substance in its Points on Appeal [R. 2016] or its Specification of Errors. (Br. 7-8.)

2. Coleman now asserts (Br. 12, 37) that the 19% profit margin attributed to Holly is without support in the record. Both the Special Master [R. 51] and the District Court [R. 426] found that Holly's profit margin for the purpose of this accounting was 19%. This is set forth in the District Court's Finding XII, yet Coleman did not set forth either this finding or its substance in its Points on Appeal or in the Specification of Errors.

The only Points on Appeal relating to Holly's lost profits are Numbers 1 and 2, which say that Holly failed to prove any lost profits or any actual damage, in accordance with Findings IV, V, VIII, X, XI and XIII, and that Holly's lost profits and damages should not be equated with Coleman's sales in accordance with Finding X.

3. Coleman now asserts (Br. 81-82) that its actual profits were \$785,975.85. However, the District Court found Coleman's actual profits to be \$1,186,537.27. This is set forth in Finding XVIII [R. 428] and in the supporting Findings XIV, XV, XVI, XVII [R. 426-427], yet Coleman did not set forth these findings or their substance in its Points on Appeal or its Specification of Errors.

Rule 17 of the United States Court of Appeals for the Ninth Circuit states that the court will consider nothing but the points so stated. Rule 18.2(d) requires that the findings of fact and conclusions of law alleged to be erroneous be set forth with particularity.

Rule 75(d) of the Federal Rules of Civil Procedure also provides that if appellant does not designate for inclusion the complete record and evidence, as was the case here, he shall provide a statement of the points on which he intends to rely.

The courts have required adherence to these Rules. For example, in *Jesionowski v. Boston & Maine Railroad*, 329 U. S. 452, 459 (1947), the Supreme Court reviewed a case in which a Circuit Court held that the issue of a defect in equipment was not properly raised before it because the issue was not included in its statement of points as required by F. R. C. P., Rule 75(d). It was argued that the issue was raised, though not specifically,



by its general point that the doctrine of *res ipsa loquitur* was not applicable. The Supreme Court said:

“We cannot hold that the Circuit Court erred when it refused to consider the question because of respondent’s failure to comply with Rule 75(d).”

In *Hargraves v. Bowden*, 217 F. 2d 839, 840 (9th Cir., 1954), this Court said:

“The attorneys should make an attempt to conform to the rules and not try to improvise new practice. At least, the points at issue on appeal should be defined.”

In *Matsuo Yoshida v. Liberty Mutual Insurance Company*, 240 F. 2d 824, 829 (9th Cir., 1957), this Court stated:

“ . . . However, appellants are precluded from raising this issue because of their failure to set forth the full substance of the rejected evidence in their appeal brief as required by Rule 18, subd. 2(d) of this Court, 28 USCA.”

*United States v. Shingle*, 91 F. 2d 85, 87 (9th Cir., 1937), Cert. Denied 302 U. S. 746, and *United States v. John II Estate*, 91 F. 2d 93, 94 (9th Cir., 1937), Cert. Denied 302 U. S. 746, are cases in which the appellant improperly specified many more errors than it argued in its brief. In the present case appellant argued many more points in its brief than it specified as errors or Points on Appeal. This is improper.

Coleman is not adhering to its Points on Appeal or its Specification of Errors. It is re-arguing the entire case on this appeal in an endeavor to render the previous six years of litigation a nullity, just as it has endeavored to do throughout the accounting proceedings.

IV.

**Coleman's Contention That Its Infringement Was Trivial and Hence to Be Satisfied by an Award of Little More Than Normal Damages Is Not Well Founded, Either in Fact or in Law.**

Coleman continues to argue that its infringement was trivial because it reduced the size of one passageway for air, a single element of the infringed claims. It does this despite its failure to object to the District Court's Finding XIX to the effect that Holly's invention is a combination of elements providing a new overall construction and operation, and that no particular element or group of elements less than the entire combination constitutes the invention. [R. 428.]

This is improper, but if this Court elects to consider the point it will find that Coleman's infringement was complete.

**A. The Extent of Coleman's Infringement Is Complete as a Matter of Fact.**

Coleman asserts that the vital distinguishing feature of the Holly patent is the passageway for conveying air along the back and sides of the lower box to the secondary heat exchanger or economizer. In support of this Coleman contends that the Patent Office rejected the Holly patent application on the ground that there was no invention in merely adding a secondary heat exchanger to a gas wall heater. This is incorrect, as an inspection of the file history of the Holly patent will show. [Trial Exs. A and B.]

Throughout the accounting proceedings Coleman has contended that it could have avoided infringement by the elimination of this particular passageway for air. How-

ever, Coleman employed this passageway and, hence, what it might have done is of no significance. Moreover, Coleman never showed that it could eliminate this passageway. In fact, the testimony of Coleman's expert, Mr. Berry, indicated that a heater with the passageway eliminated would not pass the A.G.A. requirements, as discussed above in Section II.

Moreover, Coleman could have avoided infringement by the elimination of any of the other elements of the patent claims. However, the value of the invention cannot be assessed on the basis of the importance of any single element or on the basis of the cost of eliminating any such element.

There was a demand for wall heaters employing secondary heat exchangers. Only Holly and Coleman have supplied such wall heaters and these wall heaters employed all of the elements of the claims of Holly's patent. This combination of elements had substantial value.

This Court has already recognized that the invention of the patent in suit covers more than a minor improvement of prior wall heaters. Thus, this Court said:

"A brief glance at the claims of the patent in issue reveals that the Holly patentees definitely *claimed*\* the structure and utilization of this new 'economizer' assembly as an essential and integral part of their binary device." (233 F. 2d 71, 80.)

This Court went on to say that:

". . . The Holly patentees clearly appear to have parted company with the basic design portrayed by these concepts (the prior art) to create something new in overall construction and functional oper-

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\*The emphasis is the Court's.

ation—a compact unitary wall device which could easily be adapted to the modern pattern and mode of living under conditions of urban life (or where gas would be available) and where an effective and reliable single-room gas-burning heater would be highly desirable and certainly very useful.” (233 F. 2d 71, 84.)

Both of these quotations emphasize that the patented heater comprises a new combination of elements, and that the invention resides in the whole combination, as set out element by element, in the principal claim of the patent in suit.

This Court has already found that Coleman copied “all the essential parts and elements” of Holly’s wall heater, and “that the Coleman devices contain all the elements called for by claims 1 through 4 of the patent in suit.” (233 F. 2d 71, 83, 84.)

The completeness of Coleman’s infringement prior to its adoption of the chutes is *res judicata*. The infringement after the chutes were installed is also complete, for the case is one that “comes within the settled rule that infringement is not avoided by impairment in degree so long as the distinguishing function is retained.” (*Murray v. Detroit Wire Spring Co.*, 206 Fed. 465, 468 (6th Cir., 1913).)

**B. Coleman’s Contention That All it Has to Pay  
for Is a Passageway for Air Is, as a Matter  
of Law, Fallacious.**

Coleman, despite the holding of this Court of Appeals that the invention of the patent in suit resides in the entire combination, that the patent claims this entire combination, and that Coleman “faithfully copied” the entire

combination with "immaterial variances," contends that its infringement was trivial and that damages should be assessed on the importance of the passageway through which air flows from the space about the sides and back of the lower box into the economizer.

A somewhat similar contention was made by the defendant in the case of *Ruth v. Stearns-Roger Manufacturing Co.*, 13 Fed. Supp. 697 (D. Colo., 1935). The invention in that case involved a flotation machine employing an impeller, two communicating compartments, and a weir. The infringer contended that the weir was the only improvement contributed by the invention and that the patent owner was entitled only to the profits on the weir.

In the *Ruth* case the infringer contended that all it had to pay for was a passageway for water; *i.e.*, the weir. In the present case Coleman contends that all it has to pay for is the passageway for the so-called infringing air. The infringer in the *Ruth* case was not successful in his contention. The Court found that although some of the elements in the invention were old, the old elements and the weir produced a new combination. In the present case the Courts have found that the Holly invention likewise involves a new combination and have expressly failed to find that all these elements were old. (233 F. 2d 71, 80.) The Court of Appeals went even further in the present case and found that a "heat exchanger or economizer of the peculiar construction and arrangement has never been embodied in any type of mechanical wall heater apparatus prior to its application and use in the Holly device." (233 F. 2d 71, 79.)

In the *Ruth* case the District Court awarded the infringer's profits to the patent owner. This was affirmed

on appeal. (*Stearns-Roger Manufacturing Co. v. Ruth*, 87 F. 2d 35, 39 (10th Cir., 1936).) The Court of Appeals said:

“The Master was put to choice, under the proof, of awarding appellee nominal damage, which would be grievously unjust and not in accordance with the spirit of our mandate; relegating him to royalties, manifestly impractical here, for there could be no fairly accurate measure of a reasonable royalty; or requiring appellant to yield up all the profits made on the sales of these machines. The latter choice was made, and we concur.”

Coleman suggests that since it cut down on the flow of air through one passageway of the infringing heater, the damage which it caused Holly is less than the damage that Holly would have suffered if Coleman had not cut down on the flow of air. In essence Coleman is contending that there are degrees of infringement and that their degree of infringement is low because they reduced the flow of air through one passageway. The Courts have never recognized degrees of infringement. Either there is infringement or there is no infringement. If there is infringement, Holly is entitled to general damages. If there is no infringement, Holly is not entitled to any damages. Since the Courts have found that there was infringement, Holly is entitled to general damages.

## V.

### **This Is Not a Case Where Apportionment of Damages Applies.**

Damages are assessed on the basis of apportionment where the patented invention is only a portion of a machine. The portion of the profits derived from the portion of the entire machine covered by the patented invention is

the award in such case. In the present case it is *res judicata* that the patent covers the entire wall heater as set forth in Section IV above, and hence, apportionment does not apply. The Trial Court has so found in Findings XIX and XXI and Coleman has not taken exception to these findings.

## VI.

### **This Is Not a Case Where Damages Based on the Advantage Over a Standard of Comparison Applies.**

In a few instances the Courts have awarded damages based on the advantage which the patented invention provides over other means for producing the same result which was available to the defendant when he began the infringement. (Klooster, "Patent Accountings," 1930, p. 422.)

Such a device must have been "open to the public," "in common use," "known prior to complainant's invention," and "open to the world." (Klooster, "Patent Accountings," 1930, p. 423.)

Coleman argues that it could have manufactured and sold a non-infringing heater with one passageway for air sealed off. It contends that this so-called infringing air was actually of no value to Coleman, and that damages should be assessed accordingly. That is, the damages should be nominal based upon this standard of comparison.

However, Coleman has never built such a heater which is exemplified by accounting Exhibit BB [R. 1679], and Coleman has not shown that such a heater was "in common use" and "known prior to complainant's invention" as required when damages are assessed on the basis of the advantage which the patented invention provides over a standard of comparison.

Thus, Coleman is endeavoring to use a *hypothetical* non-infringing heater as a standard of comparison. This tactic for endeavoring to hold down damage awards has been expressly rejected by the courts in many cases. For example, in *Expanded Metal Co., et al. v. General Fireproofing Co.*, 247 Fed. 899, 910 (D. C. Ohio, 1917), the court held that an infringer "should not be permitted to avail himself of inventions developed by himself or others after he has appropriated another's property for the purpose of mitigating or avoiding the damage thus inflicted on another."

Another Court expressed this more forcefully as follows:

"The obvious danger of attempting to measure recovery, not by what the infringer as a manufacturer or seller in fact made as a manufacturer's and seller's profit on the particular combination, but by the gain, if any, as compared with what he would have made had he manufactured something which he might, but did not make—the obvious danger involved is this: *It introduces a conjectural basis of evidence; it compels assumptions which are repugnant to the very purpose of giving relief to the patentee for the appropriation which the infringer for some reason chose; it compels comparison of what he actually did, as against a standard which he chose not to follow,\** it gives prominence to what, but for the invention, he might have done, thereby to get the measure or value of what, apparently, because of the invention, he did do. *In other words, the realm of speculation is explored, collaterally inquired into, with the inevitable result of always finding some standard which will lead to nominal recoveries,\** a practical

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\*Emphasis ours.



result of treating the infringement of appropriation as a mere fortuity, a mere accident of making a selection of one out of several equally desirable courses to pursue." (*Malleable Iron Range Co. v. Lee*, 263 Fed. 896, 900 (7th Cir., 1920).)

Coleman also contends that the Royal Jet [Accounting Ex. FF] and the Williams [Accounting Ex. EE] heaters are similar to the patented heaters. However, it is clear that these heaters did not have the features of the patented heaters and cannot serve as a standard of comparison. The Williams heater was not placed on the market until the very end of the infringing period in April or May, 1957, and, hence, is too late to meet the requirements for a standard of comparison. [R. 1679.] Moreover, the Williams heater is merely arranged to look like the patented heater in order to take advantage of its popularity. It does not have a secondary heat exchanger, nor does it heat two streams of air. [R. 1677-1678.]

The Royal Jet heater was not really a wall heater. It would not fit in the space between a pair of studs. It was so large that it was usually placed in the corner of a room and framed in. [R. 1676-1677.] Also, the Royal Jet heater had only one outlet for heated air and heated only a single stream of air [R. 1762], whereas the heaters made by Holly and Coleman heated two separate streams of air and had two outlets for these streams of hot air.

Obviously, there is no standard for comparison available to Coleman. The District Court so found in Finding XX. [R. 428-429.] Hence, damages must be assessed on the entire wall heater structure and not on the advantage provided by a passageway for air, as contended by Coleman.

## VII.

### **This Is Not a Case Where a Reasonable Royalty Applies.**

Coleman contends, as it has throughout the accounting proceedings, that since the 1946 amendments to the statute concerning damages in patent cases, profits have been virtually excluded as an element of damages and that a reasonable royalty is the measure that must be employed in nearly every case. (Br. 78-82.)

Hence, Coleman contends that despite the adjudicated fact that it is an intentional tort-feasor, it should be permitted to retain the fruits of its wrong-doing and should be required to pay only a royalty that it as a willing licensee would pay. Such a contention violates the fundamental principle of equity as exemplified by California Civil Code, Section 3517, that "no one can take advantage of his own wrong."

The Congressional proceedings concerning the 1946 changes are reproduced as Appendix C to this brief. These proceedings clearly show that it was the intent of Congress to provide for the recovery of general damages. It has been properly pointed out that the 1946 change was a "broadening amendment to the statute." (*Livesay Window Company v. Livesay Industries*, 251 F. 2d 469, 472 (5th Cir., 1958).)

A reasonable royalty is the minimum measure of damages permitted under the statute concerning damages in patent cases. The reasonable royalty measure of damages is proper where the infringement is without notice or knowledge of the patent, as shown by the Congressional proceedings. Likewise, the reasonable royalty measure of damages is proper where the patent owner exploits the

patent by licensing it on a royalty basis rather than by manufacturing and selling the patented product. (*Faulkner v. Gibbs*, 199 F. 2d 635 (9th Cir., 1952).)

The reasonable royalty minimum measure of damages can have no application here because it is *res judicata* that Coleman's infringement was deliberate and with notice of the patent, and because Holly did not exploit the patent by granting licenses on a royalty basis but rather manufactured and sold the patented heaters and endeavored to exclude Coleman from encroaching upon its proprietary product. An award based upon a reasonable royalty would, in effect, amount to compulsory licensing, which is repugnant to the American way of doing business and which has been expressly rejected by Congress, as shown by the Congressional proceedings of Appendix C.

Coleman contends (Br. 79-80) that *Faulkner v. Gibbs*, 199 F. 2d 635 (9th Cir., 1952) and *Dowagiac Mfg. Co. v. Minnesota Moline Power Co.*, 235 U. S. 641, require that a reasonable royalty be the basis of the award in the present case.

However, in the *Faulkner* case the patent owner exploited the invention by licensing others and the infringement was innocent—without prior knowledge of the patent. Neither of these factors are present in the case at bar. Footnote 7 of the *Faulkner* case (p. 638) says:

“Where, however, the patentee has himself engaged in the manufacture, use or sale of his patented article, he may be awarded damages for his loss of profits resulting from the infringement.”

The decision of the *Dowagiac* case is predicated upon the findings that: (1) the patent covered merely an improvement in a small portion of a large machine which

was in commercial use prior to the invention; (2) the infringement was not willful; (3) there was no showing that the patent owner had the means and facilities required to supply both its own customers and those who purchased the infringing devices; and (4) there was no showing of lost sales or injury by competition resulting from the infringement.

In the present case, the absence of the first two of these items is *res judicata*. Either of these factors would take the present case outside the holding of the *Dowagiac* case. In addition, Holly has proved that it had the means and facilities required to supply both its own customers and those who purchased the infringing devices from Coleman. It is also established that Coleman's infringement caused Holly to lose sales and interfered with the expansion of Holly's entire business.

A recent case in which the infringer's profits were employed as the measure of the damages is *Graham et al. v. Jeoffroy Mfg., Inc., et al.*, 253 F. 2d 72 (5th Cir., 1958), cert. denied, 79 S. Ct. 28, 3 L. Ed. 59, 118. In its petition for certiorari the infringer urged that its profits were not a proper measure of the damages since the 1946 revision of the statute and *specifically asked the Supreme Court to review the issue as to whether or not profits are recoverable under the statute today. The Supreme Court significantly denied the petition for writ of certiorari. It was not impressed with arguments which are the very same as those which Coleman has presented in the present case.*

It is clear that profits are proper elements or measures of damages today. A reasonable royalty is merely the statutory minimum.

VIII.

**The Proper Measure of Damages Under the Facts of This Case Is the Profit Which It Is Reasonably Probable That Holly Would Have Made on the Infringing Sales, or Coleman's Actual Profits, Whichever Is Greater.**

The statutory provision concerning damages for infringement of a patent states that "The Court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer . . ." and that "the Court may increase the damages up to three times the amount found or assessed." (35 U. S. C. 284.)

The proper measure of damages in a patent infringement case, as in any other tort case, is that which most nearly restores the injured party to the condition it would have been in had the infringement never occurred. (*Yale Lock Mfg. Co. v. James Sargent*, 117 U. S. 536, 552-553; *Faulkner v. Gibbs*, 199 F. 2d 635, 638 (9th Cir., 1952); *Livesay Window Company, Inc. v. Livesay Industries, Inc.*, 251 F. 2d 469, 471 (5th Cir., 1958).)

**A. The Infringer's Actual Profits Is One Measure of Damages.**

The profits which the infringer made is an element or measure of damages which is employed frequently in an application of the well-established principle that a wrongdoer shall not be permitted to retain the benefits of his wrong-doing. (*Duplate Corp. v. Triplex Safety Glass Co.*, 298 U. S. 448, 457 (1936). An accounting of profits and damages is not unique to a patent case. It is simply an "affirmation of pre-existing principles of equity."

(*Computing Scale Co. v. Toledo Computing Scale Co.*, 279 Fed. 648, 671 (7th Cir., 1921).)

Also, profits are one measure of the value of what the infringer took from the patent owner. It is one of the traditional ways to assess damages in patent cases, and is still in effect today. (*Computing Scale Co. v. Toledo Computing Scale Co.*, 279 Fed. 648, 672 (7th Cir., 1921); *Graham v. Jeoffroy Mfg. Co., Inc.*, 253 F. 2d 72, 74 (5th Cir., 1958); Cert. Denied, 3 L. Ed. 59, 118, 79 S. Ct. 28; Cong. Rec.—Senate, July 17, 1946, p. 9188; 1946 Code Cong. Serv. 1386, June 4, 1946, which are set forth in Appendix C to this Brief.) This corresponds to the common law rule concerning the tortious taking of real property where the owner is entitled to “the reasonable rental value of the land during the time of the defendant’s occupancy, or the value of the actual yield, if that is greater.” (*Handbook on the Law of Damages*” by Charles T. McCormick, 1935, p. 480.)

#### **B. Coleman’s Actual Profits.**

Coleman now asserts, in its endeavor to reargue the entire case, that its actual profits were only \$785,975.85. (Br. 81-82.) However, the District Court found that Coleman’s profits amounted to at least \$1,186,537.27, providing a profit margin of 15.5%.

Coleman did not object to this Finding XVIII or to the supporting Findings XIV, XV, XVI and XVII [R. 426-428] or their substance in its Points on Appeal or its Specification of Errors, and it is improper for Coleman to reargue the matter of its actual profits now. However, if the court elects to review this matter, it will find ample evidence in the record to support the findings of the District Court.

Coleman did not keep separate accounts of its infringing operations. During the accounting Coleman presented a statement showing a profit of approximately \$600,000.00. [Accounting Ex. A.] This figure was derived by improperly allocating to the infringing operation many costs that should not have been borne by that operation. One such improper allocation was a share of the attorneys' and professional fees spent in defending this litigation. The impropriety of Coleman's other allocations are developed at length in the record, pages 255-273.

The parties are in agreement as to the total dollar volume of the sales made by Coleman. The sales which are subject to this accounting amounted to \$7,635,062. After a detailed investigation concerning expenses properly chargeable against this operation involving the testimony of Messrs. Hyland, Kuhn, Olds and Morgan, Holly showed that Coleman's profits amounted to at least \$1,186,537.27, providing a profit margin of 15.5%. [R. 428.]

The Coleman heater had the same features as the Holly heater and the two looked very much alike. There is no evidence that any of the "immaterial variations" added by Coleman contributed to Coleman's profits. Thus, Coleman's direct profit of at least \$1,186,537.27 is a minimum measure of Holly's damages.

**C. The Patent Owner's Lost Profits Is Another Measure of Damages.**

The profits which the patent owner was deprived of by the infringement is an element or measure of damages which is often employed by the Courts. The patent owner's lost profits is one measure of what the infringer took from the patent owner in cases in which the patent

owner is actively engaged in manufacturing and selling the patented invention and does not license others to do so. (*Faulkner v. Gibbs*, 199 F. 2d 635, 638-fn. 7 (9th Cir., 1952); *Livesay Window Company, Inc. v. Livesay Industries, Inc.*, 251 F. 2d 469 (5th Cir., 1958); *National Rejectors, Inc. v. A. B. T. Mfg. Corp.*, 188 F. 2d 706 (7th Cir., 1951); *Electric Pipelines, Inc. v. Fluid Systems, Inc.*, 146 Fed. Supp. 262 (D. C. Conn., 1956).) In such circumstances, it is the patent owner's lost profits which restores the patent owner to the condition it would have been in had the infringement never occurred. This corresponds to the common law rule concerning the tortious taking of personal property where the owner is entitled to recovery of "the value of the use of the property during the time he has been deprived of it, and this may be measured by its normal earning power . . ." and the recovery may be for "loss of profits" when justified under the facts of the situation. ("Handbook on the Law of Damages" by Charles T. McCormick, 1935, pp. 477, 479.)

#### **D. Holly's Lost Profits on Coleman's Infringing Sales.**

Coleman's contention (Br. 26) that the figure for lost profits which the Master believed to be supported by the evidence was \$400,000 is incorrect. This is the figure which the Master found that Holly would have lost predicated upon the assumption that Holly would have had 20% of the national market if Coleman had not infringed. [R. 50.] The Master went on to find that Holly would have sold more than 20% of the national market [R. 51], and did not base his award on this basis at all because Holly did not show that it would have sold "all" of the infringing heaters, but for the infringement. [R. 52.]

The District Court rejected this misconception of the law and awarded Holly its lost profits computed on the



basis of the profits which Holly would have made at its profit margin on the dollar volume of Coleman's actual sales of the infringing heaters, the sum of \$1,450,661.78.

Both the Special Master and the District Court found Holly's profit margin on the wall heaters to be 19% for the purpose of this accounting. [R. 51, 426.] Now Coleman asserts that this profit margin is incorrect. However, Coleman did not object to this Finding XII by the District Court or to its substance in its Points on Appeal or in its Specification of Errors, and it is improper for Coleman to reargue the matter of Holly's profit margin now.

However, if the Court elects to review the matter, it will find ample evidence in the record to support the findings of the Master and the District Court.

Holly's profit margin was ascertained in two ways—by determining the average profits made by Holly during a reasonable period, and by a detailed computation made by one of Holly's accountants in accordance with Holly's standard accounting practices and based on the entire infringing period from 1952 through the first quarter of 1957. The first way provides a profit figure of 19%, and the second way a figure of 19.3%.

The detailed computation was presented by Mr. Claybaugh and was not objected to by Coleman. [R. 1321, 1325.] The figures are shown in Accounting Exhibit 20. Mr. Claybaugh found that Holly's average profit per wall heater was as follows: 1952—\$14.52, 1953—\$12.46, 1954—\$12.50, 1955—\$14.11, 1956—\$11.22 and 1957—\$6.24. By multiplying Coleman's wall heater unit sales each year by Holly's profit per wall heater unit for the respective years, Mr. Claybaugh found that Holly's lost profits were \$1,475,010.00.

Mr. Claybaugh's computation is based on the average profit derived by Holly's entire line of products over the entire infringing period from 1952 through the first quarter of 1957. [R. 1329.] The computation is thus conservative because the patented wall heater line was more profitable to Holly than the other lines of equipment which it sold. [R. 1326, 1329.] There are two other features that tend to make the profit figure of Accounting Exhibit 20 conservative. First, the manufacturing costs for the additional heaters are taken to be the same as the manufacturing costs for the heaters which Holly actually sold with no allowance for savings due to increased volume in manufacturing. [R. 1330.] Second, administrative and engineering expenses were taken as fixed, regardless of volume, and sales expense was increased in proportion to volume. But some elements of sales expenses are, in fact, fixed and such fixed sales expenses, together with fixed portions of manufacturing costs, such as depreciation, real estate taxes, and insurance, which have been ignored in the computation, more than offset any variable items of administrative and engineering expenses. [R. 1330.]

The determination of Holly's profit margin on the basis of Holly's average profits over a reasonable period of time is a judicially approved way for computing lost profits. (*Bemis Car Box Co. v. J. G. Brill Co.*, 200 Fed. 749 (3rd Cir., 1912), Cert. denied, 226 U. S. 614.)

Holly's profit during the year 1951 was 20.1% on all of its sales. During 1952 it was 17.4%, and during the first half of 1953 it was 19.7%. [R. 1431, 1488.] Holly's average profit during this period was approximately 19%. This period includes one and three-quarters years prior to Coleman's entry into the market and three-quarters of a year after Coleman's entry. The wall heaters were

more profitable than Holly's other products. [R. 1326, 1329.] Hence, Holly's profit margin was actually greater than 19% during the early part of the infringing period. During the latter part of the infringing period the profit margins were reduced because the building industry was in a depressed condition [R. 50] due in part to strikes.

Coleman has presented a table (Br. 39) which purports to show that Holly's profit margin on the wall heater was lower than the 19% found by both the Special Master and the District Court. However, the table is arranged to emphasize the end portion of the infringing period when the building industry was in a depressed condition. The first three months of 1957 are given the same weight as a full year. Also, the year 1956 is included twice in the computation of the average.

The 19% profit margin on the wall heater sales is possibly low for the first part of the infringing period and possibly high for the latter part, but the average of 19% throughout the infringing period is proper for the purpose of this accounting. This is corroborated by the computation in Accounting Exhibit 20 which results in an actual lost profit figure of \$1,475,010.00, or an average profit margin of about 19.3% throughout the infringing period.

If anything, the computation resulting in an average profit figure of 19% for Holly is more favorable to Coleman than it should be. This Court has pointed out that a satisfactory way of computing lost profits is to employ the business records of the injured party before the injury occurred. (*The Flintkote Company v. Lysfjord et al.*, 246 F. 2d 368, 392 (9th Cir., 1957).) Coleman entered the market with its wall heater during the latter part of 1952. Hence, Holly's profit margin for the year

1951 of 20.1% could be employed. This was the first full year of sales of the patented wall heater and, hence, is the only year before the injury occurred upon which computations may be made.

Coleman's sales of the infringing heater amounted to \$7,635,062.00, and this figure is undisputed. Multiplying the dollar volume of the Coleman sales by Holly's profit figure of 19% results in the computation of Holly's lost profits in the amount of \$1,450,661.78. The concurrence of the Special Master and the District Court on this point is entitled to great weight. This is one element of Holly's damages.

**E. Coleman's Infringement Caused Holly to Lose Profits.**

Coleman contends that it did not cause Holly to lose profits, and that in any event Holly cannot recover its lost profits because such profits are speculative since Holly did not prove that each and every purchaser of the infringing heaters would have purchased from Holly if the infringing heaters had not been available. Coleman further urges that absolute certainty of proof is required on the part of Holly concerning the sales which Holly would have made. However, *Coleman is confusing the issue of causation with the issue of the amount of the damages.* These two issues are discussed separately in this and the next section of this brief.

*Certainty of proof is required as to the fact of damage and the fact that Coleman caused it. The amount of the damages may be ascertained by a reasonable calculation.* On this question the Supreme Court has stated:

"The rule which precludes the recovery of uncertain damages applies to such as are not the certain result of the wrong, not to those damages which

are definitely attributable to the wrong and only uncertain in respect of their amount.”

\* \* \* \* \*

“Where the tort itself is of such a nature as to preclude the ascertainment of the amount of damages with certainty, it would be a perversion of fundamental principles of justice to deny all relief to the injured person, and thereby relieve the wrongdoer from making any amend for his acts. In such case, while the damages may not be determined by mere speculation or guess, it will be enough if the evidence show the extent of the damages as a matter of just and reasonable inference, although the result be only approximate.” (*Story Parchment Co. v. Patterson Parchment Paper Co.*, 282 U. S. 555, 562, 563 (1931).)

This Court has stated with reference to lost profits in an antitrust case:

“The cases have drawn a distinction between the quantum of proof necessary to show the *fact* as distinguished from the *amount* of damage; the burden as to the former is the more stringent one. In other words, the *fact* of injury must first be shown before the jury is allowed to estimate the *amount* of damage.” (*Flintkote Company v. Lysfjord*, 246 F. 2d 368, 392 (9th Cir., 1957).)

The fact of damage in the present case is beyond dispute. Damage to Holly was inevitable when Coleman appropriated Holly’s major and leading product. The Special Master found that “the evidence is conclusive that plaintiff suffered damages because of defendant’s infringement.” [R. 52.]

As this Court has stated, the wall heater is unique because “a heat exchanger or economizer of this particular

construction and arrangement has never been embodied in any type of mechanical wall heater apparatus prior to its application and use in the Holly device"; the wall heater "represents a measurable and substantial advance and improvement in the room-heating art and a valuable contribution thereto," and "the record establishes a ready and widespread acceptance of the Holly device on the market and attendant commercial success." (233 F. 2d 71, 79, 80.) It is inevitable that Holly would suffer loss of sales to Coleman when Coleman forced Holly to share the market with it.

The loss which Holly suffered is the natural and proximate consequence of Coleman's wrongdoing. The patented wall heater was Holly's major product, constituting 83% of Holly's unit shipments in 1952 and over 80% of its business throughout the infringing period. [R. 1423.] The patented heater became an immediate commercial success in Holly's hands. In two years, Holly more than doubled its volume. [Orig. R. 542.] Then Coleman came in. Holly's percentage of the national market decreased when Coleman started infringing and it increased when Coleman ceased infringing. (Appendix A.) These facts alone establish that the loss which Holly suffered is the natural and proximate consequence of Coleman's wrongdoing. But there is additional evidence which points in the same direction.

Holly and Coleman were direct competitors at all levels of distribution and sales. [R. 1024, 1428.] Coleman was Holly's biggest competitor in the sale of wall heaters [R. 1033], and its only competitor in the sale of the patented heaters, or in the sale of any wall heater with a secondary heat exchanger. [R. 1023, 1029, 1425. (233 F. 2d 71, 84).] In this situation the natural and

proximate consequences of Coleman's wrongful acts were lost sales, increased selling costs, forced price reductions, and curtailment of market expansion on the part of Holly.

The certain result of Coleman's infringement was interference with the exploitation of the invention in Holly's hands. The amount of such damage may be computed with reasonable certainty.

In a case involving two rival groups of salmon fishermen, the court awarded to the plaintiffs the profits that they would probably have made if the defendants had not wrongfully forced plaintiffs away from the fishing grounds. Obviously, fishermen's luck is subject to uncertainty. Yet the court stated that:

"The situation disclosed by the testimony renders applicable the principle of law to which we have already alluded that uncertain damages are nonrecoverable only when the uncertainty is due to inability to establish with certainty the cause." (*Blanchard v. Makinster*, 137 Ore. 58, 1 P. 2d 583, 586.)

The present case involves much less uncertainty than fishermen's luck. Speculation is not required.

**F. Holly's Lost Profits Are Established With Reasonable Certainty and Are Not Speculative.**

Coleman urges that to justify an award based upon Holly's lost profits, the number of additional wall heaters which Holly would have sold if Coleman had not forced Holly to share the market must be proved with absolute certainty. Coleman contends that Holly must prove that each and every purchaser of the infringing heaters would have purchased from Holly if the infringing heaters had not been available. In other words, Coleman urges that

the amount of the damage, as distinguished from the fact of damage, must be proved with absolute certainty. The Courts do not so hold. In one case in which lost profits were awarded, the Court stated with respect to the actual amount of the lost profits that "Of course, there could be no absolute certainty upon such a subject." (*Bemis Car Box Company v. J. G. Brill Co.*, 200 Fed. 749, 758 (3rd Cir., 1912).)

In both antitrust and patent cases involving lost profits, the Courts employ the reasonable probability test. The Courts hold that *if in all reasonable probability the injured party would have made the sales which the wrongdoer made, then the injured party is entitled to recover its lost profits.* (*Bemis Car Box Company v. J. G. Brill Co.*, 200 Fed. 749, 765 (3rd Cir., 1912); *Flinkote Company v. Lysfjord et al.*, 246 F. 2d 368, 392 (9th Cir., 1957); *Livesay Window Company, Inc. v. Livesay Industries, Inc.*, 251 F. 2d 469, 471 (5th Cir., Jan. 24, 1958).)

In applying the "reasonable probability" test in the *Bemis* case the Court reviewed many prior decisions and held that where a patent owner is engaged in the manufacture and sale of a patented device and does not license others to do so, the patent owner may recover the profits which it probably would have made, if its business is established, successful, and well equipped to handle the increased volume. (200 Fed. 749, 765.)

The record clearly shows that Holly meets the requirements of the *Bemis* case because its business was established, quite successful, and well equipped to handle an increased volume of wall heaters equal in number to Coleman's infringing sales.

Holly's business started in 1938 with one employee [R. 1385], but by 1952 when Coleman started selling the



infringing heaters, Holly's sales were on a national basis and amounted to approximately \$3,300,000 annually. [Accounting Ex. 24.]

The financial statements of Holly throughout the infringing period are part of the record. [Accounting Ex. 21-29.] They show that Holly was in good financial condition. Its ratio of current assets to current liabilities was never less than  $2\frac{1}{2}$  to 1. It ranged between  $2\frac{1}{2}$  to 1 and  $3\frac{1}{3}$  to 1 during the years 1953 and 1954 [R. 1452], when the effects of Coleman's infringement were the most pronounced. It had a good credit rating and could obtain additional financing without difficulty. Holly's former President estimated that it could have borrowed at least three-quarters of a million dollars during the years 1953 and 1954. [R. 1450, 1451.]

Holly's sales force extended throughout the United States. Holly had no sales outlets in foreign countries, as Coleman did, but foreign sales have not been included in this accounting because Holly had no patents in other countries.

Holly had its own sales representatives throughout the country. [R. 1023, 1421, 1422, 1452.] In addition, Holly's products were distributed throughout the country by the Crane Company, which is a well-known company with national distribution. [R. 1422.]

Holly produced the wall heaters within its own plant, and the production facilities could have handled the additional volume without difficulty. Holly's plant capacity was increased 50% in late 1953, and its total capacity was very large with respect to what its sales turned out to be in subsequent years. [R. 1447, 1448.]

Holly's actual production of the wall heaters averaged 48,628 annually during the years 1950 through 1956. [Orig. R. 542, Accounting Ex. 7.] Coleman sold 120,582 infringing heaters for an average of 23,000 per year during the infringing period of  $5\frac{1}{4}$  years. [Accounting Ex. A.] Holly's ability to handle this additional volume of wall heaters was considered in detail during the accounting proceedings. The problem of carrying finished goods inventory, the problem of carrying accounts receivable, the problem of plant capacity, the problem of raw material inventory and work in process, the matter of possible additional variable expenses, the availability of financing and the avenues that were open to Holly for selling the wall heaters were considered. [R. 1440.] The record clearly shows that Holly, without difficulty, could have manufactured and marketed the Holly-type wall heaters which were made and sold by the Coleman Company. [R. 1440-1453.]

The only period in which Holly could possibly have had difficulty in supplying the additional volume was from October, 1952 to March, 1953. [R. 1445, 1446.] This was because of steel allocations during this period as a result of the Korean War. The allocation was on the basis of orders on hand and it did not impose a flat ceiling on what Holly could get. [R. 1447.] Holly was able to obtain sufficient steel so that by Spring of 1953 Holly was able to produce faster than it could sell and at a rate greater than the combined annual shipments of Holly and Coleman. [R. 1443.] At that time Holly was plagued with the problem of over-production and excessive finished goods inventory, and as a result, Holly had its first major plant lay-off in its history in the summer of 1953. [R. 1444 and Accounting Ex. 32A.] This

was only a few months after Coleman entered the market with the infringing wall heaters in October, 1952, and both the Special Master and the District Court found that the major plant lay-off probably would not have occurred but for Coleman's infringement. [R. 63, Finding X; R. 423, Finding IV.]

A finished goods inventory sufficient to supply the shipments to be made during approximately thirty-three days was a normal working minimum at Holly. [R. 1444.] Accounting Ex. 32A shows the size of the finished goods inventory (FGI) in terms of shipments. The figures for the years 1952-1954 are:

	Size of FGI 1952	Size of FGI 1953	Size of FGI 1954
January	37	18	109
February	40	20	114
March	36	34	105
April	37	37	77
May	31	51	74
June	30	76	63
July	15	109	59
August	20	98	90
September	20	96	72
October	10	104	57
November	10	96	66
December	11	119	85

The inventory was lower than the normal minimum during January and February, 1953. During March and April of 1953, it was about average. In May and June of 1953, the inventory increased substantially, and in July, 1953, the inventory was about three times normal. "Shortly thereafter, Holly had a major plant lay-off as a result." [R. 1444.] Even with the major lay-off, Holly's finished goods inventory remained excessively

high throughout the remainder of the year and during the first quarter of 1954.

There is direct relation between the size of Holly's finished goods inventory and Coleman's entry into the patented wall heater market which Holly previously had to itself. Holly did not sell all of the heaters that it could have manufactured in the year 1953. [R. 1447-1448.]

The best evidence of Holly's ability to make and sell additional patented heaters is the record of what it accomplished when it brought its own patented heaters on the market. During the first year (1951) that Holly sold the patented heater, its wall heater sales rose from 23,935 units to 39,319 units. Thus, Holly was able to increase its production by 60% in a single year and to increase its share of the national market for wall heaters from 11.3% to 19.1%. [Orig. R. 542.]

During the two years (1951-1952) immediately preceding Coleman's entry into the market, Holly's sales more than doubled. They increased from 23,435 units in 1950 to 49,046 units in 1952. [Orig. R. 542.]

Obviously, Holly's business was well-established, quite successful, and very well equipped to handle an increased volume of wall heaters equal in number to Coleman's infringing sales. The requirements set forth in the *Bemis* case are met and Holly is entitled to recover the profits which it is reasonably probable that Holly would have made on the infringing sales.

A more recent case in which the "reasonable probability" test is employed is *Livesay Window Company, Inc. v. Livesay Industries, Inc.*, 251 F. 2d 469 (5th Cir., 1958). In the *Livesay* case the Court found that in all reasonable probability the patent owner would have made

the sales which the infringer made because (1) the patent owner and the defendant infringer were for all practical purposes the only sources of the patented devices, (2) the features of the patented device were the important sales features of the device, (3) the patent owner had the ability to manufacture an additional volume of the devices corresponding in number to those manufactured and sold by the infringer, and (4) the device had a large trade acceptance.

The facts of the present case are "on all fours" with the facts upon which the Court based its opinion in the *Livesay* case, because (1) Holly and Coleman were the only suppliers of the patented wall heater or of any wall heater employing a secondary heat exchanger [R. 1023, 1029, 1425, 233 F. 2d 71, 84] (2) the features which are covered by Holly's patent are the important sales features of the wall heaters sold by Holly and of the infringing wall heaters sold by Coleman [R. 1015-1020, 1415-1419, 1429], (3) Holly had the ability and could have manufactured an additional volume of heaters corresponding in number to the number of infringing heaters manufactured by the Coleman Company [R. 1440-1453], and (4) the patented wall heaters had a large trade acceptance [Orig. R. 542], as this Court has already found. (223 F. 2d 71, 80.)

Moreover, defendant's sales department recognized the large trade acceptance of the device. The patented heaters were so popular and Holly's growth so "fabulous" (Br. 43) that defendant's sales department demanded that "we must have something that would be strictly competitive with the Holly unit." [R. 1249.]

Coleman contends that the *Livesay* case is different from the present case because in the *Livesay* case both

the plaintiff and the defendant sold their product under the name "Livesay" and this is the way it was specified in architects' plans so that no other product could possibly meet the requirements of the specification. However, this does not distinguish the two cases because in many instances architects specified wall heaters with secondary heat exchangers or economizers and no other product other than the heaters produced by Holly and Coleman could meet this specification. [R. 1019, 1020, 1427-1428.] Some of Holly's literature was given a standard A.I.A. (American Institute of Architects) file number to facilitate use by architects. [R. 1417. Accounting Ex. 39.] There were no other wall heaters available throughout the infringing period which employed secondary heat exchangers or economizers. [R. 1023, 1029.]

Clearly, the factual situation of the present case meets the requirements set forth in the *Livesay* case. Holly is entitled to its lost profits just as the patent owner was entitled to its lost profits in the *Livesay* case.

Another recent case along the same line is *Electric Pipelines, Inc. v. Fluid Systems, Inc.*, 146 Fed. Supp. 262 (D. C. Conn., 1956), affirmed 250 F. 2d 697 (2nd Cir., 1957) where the Court held that where there are only two suppliers of a patented device who are in direct competition with one another, the patent owner is entitled to recover its possible profits on the infringing sales.

In the *Electric Pipelines* case the Court cited Klooster on "Patent Accountings," Prentice-Hall, Inc., 1930, wherein it is stated at page 463 that:

"Where the complainant and the defendant are the only manufacturers of the product in suit, there is a presumption that the complainant would have pro-

duced and sold to its own profit an amount equal to the amount produced and sold by the defendant. This is especially true where the defendant has deliberately become an infringer and wrongfully trespassed on the complainant's rights, for the law is that in cases of wanton infringement every doubt is to be resolved against the infringer."

A similar case is *National Rejectors, Inc. v. A.B.T. Mfg. Corp.*, 188 F. 2d 706 (7th Cir., 1951) where the Court held that a patent owner may recover its lost profits if the sales of the infringing devices were due to features within the protection of the patent.

In the present case there were only two suppliers of the patented device [R. 1023, 1029, 1425; 233 F. 2d 71, 84] and they were in direct competition with one another at all levels of distribution and sales. [R. 1024, 1428.] Hence, the requirements of the *Electric Pipeline* case and *Klooster* are met. It is *res judicata* and established that the infringement was deliberate and, hence, every doubt should be resolved against the infringer according to *Klooster*.

Likewise, sales of the infringing device were due to features within the protection of the patent [R. 1015-1020, 1415-1419], and hence, the requirement of the *National Rejectors* case is met.

Coleman contends that the *Electric Pipeline* and the *National Rejectors* cases differ from the present case because the sales there were to certain specifications which could be met only by the patent owner and the infringer. However, in the present case only Holly and Coleman sold wall heaters having the patented features. These features were important sales features and were specified by architects and builders. [R. 1019, 1020, 1427, 1428.]

Hence, the present case meets requirements set forth in the *Bemis*, *Livesay*, *Electric Pipelines*, and *National Rejectors* cases and in *Klooster* concerning the proof necessary to establish lost profits with reasonable certainty.

**G. Other Wall Heaters Were Available, but They Did Not Have the Sales Features of the Patented Heaters.**

Coleman contends that Holly is not entitled to recover its lost profits on the sales made by Coleman because there were other wall heaters available during the infringing period and customers were not compelled to use the patented wall heater or go without heat. However, no other wall heaters had the sales features of the patented heaters, and both the Special Master and the District Court so found. [R. 64, Finding XI; R. 425, Finding VIII.] Coleman's Mr. Newton characterized the patented wall heater as an "odd ball" design showing that it was unique and different. [R. 1640.] Moreover, this Court found that the patented device had unique features in that "a heat exchanger or economizer of this peculiar construction and arrangement has never been embodied in any type of wall heater apparatus prior to its application and use in the Holly device." (233 F. 2d 71, 79.) This Court also found that no other wall heaters employed secondary heat exchangers at all. (233 F. 2d 71, 84.) This was true throughout the infringing period. [R. 1023, 1029.]

In all of the cases cited above concerning awards of lost profits other devices were available and customers were not compelled to use the patented device or go without. In the *Bemis* case, 200 Fed. 749, 757, the Court



found that "other satisfactory boxes were in general use," yet the award was on the basis of the patent owner's probable profits. The same is true of the *National Rejectors* case where the invention concerned a device for ejecting defective coins and the invention differed over the prior art only in that one element had been added. (164 F. 2d 333 (7th Cir., 1947).) Likewise, in the *Electric Pipeline* case the Court found that in the years immediately prior to and for some years following the issuance of the patent, several other arrangements had been sold on a commercial basis for the very same purpose. (132 Fed. Supp. 123 (D. Conn., 1955.)) In the *Livesay* case, 251 F. 2d 469, 470, the patent was concerned with a window frame suitable for residential and commercial buildings, and obviously there were many other window frames available to possible customers.

The most important sales features of the patented heaters are (1) the ability to produce large amounts of heat, such as required to heat a small house, with a compact wall heater without producing excessive wall temperatures, (2) the ability to produce large amounts of heat with the wall heater located in the space between a pair of studs and not being excessively tall or extending too far into the room, (3) maintaining the heat loss of the wall heater through the draft hood independent of flue height so as to provide efficient operation irrespective of the height of the building, and (4) improved air circulation by heating two streams of air and discharging warm air just below the ceiling level and still warmer air about midway along the heater so as to avoid stratification. These features are set forth in the previous opinion of this Court. (233 F. 2d 71, 81.)

Coleman appreciated the importance and uniqueness of these features. In its annual statement for the year

1952, which issued just after the infringing heaters were placed on the market, it stated with reference to its wall heater line that "New models just introduced have improved appearance and some unusual features that make for higher heating performance." [Orig. R. 769.]

Now Coleman argues in its last-ditch effort to avoid payment of damages (Br. 31) that these features may have been important at the beginning, but they were not important throughout the infringing period because other companies were manufacturing American Gas Association-approved wall heaters which must have been competitive due to the A.G.A. approval. However, A.G.A. approval does not signify or even intimate that the A.G.A.-approved heater has features which make it competitive with the patented heater. A.G.A. approval merely signifies that the heater meets certain minimum standards set up to protect the purchasers of the heaters [Orig. R. 52], as discussed in more detail in Section VIII-I of this brief.

Moreover, these features were employed in Holly's sales literature throughout the infringing period, not just at the beginning, as shown by Accounting Exs. 37-43. These features are still important today. [R. 1429.]

Although some of the other manufacturers produced wall heaters having one or possibly two of the above features as techniques improved, none was able to produce a wall heater having all of these features during the infringing period or even today. Coleman's present non-infringing wall heater, which was developed at the end of the infringing period after the wall heater industry had obtained much more experience, does not have the features of Items 2, 3 and 4. Coleman's present heater has a lower box which is materially larger than the lower

box of Coleman's infringing heaters or of Holly's patented heaters. It is "one of the largest big heaters that is on the market." [R. 1623.] Coleman's present non-infringing models do not employ a secondary heat exchanger or economizer; they do not use a secondary heat exchanger to cause the heat loss through the draft hood to be substantially independent of flue height, and they do not heat two streams of air so as to provide improved circulation and reduced stratification of air in the room.

These sales features were made possible by the use of the secondary heat exchanger or economizer. No manufacturers other than Holly and Coleman employed a secondary heat exchanger or economizer during the infringing period. [R. 1023, 1029. 233 F. 2d 71, 84.]

The Royal Jet and the Williams heaters are the only ones which Coleman has identified as being even remotely similar to and competitive with the patented wall heaters. As discussed previously in Section VI on standard of comparison, the Royal Jet heater was not even a wall heater, and the Williams heater did not have a secondary heat exchanger and was not placed on the market until the very end of the infringing period.

Potential customers were concerned only with the external appearance, the size, the safety and the performance of the heaters. These features of the Holly and Coleman heaters were very similar and were made possible by Holly's patented invention.

Mr. Johnson, the President of Holly, was emphatic in his testimony that the patented features of the Holly heater were responsible for its sales. He said:

"Well, from the time that we brought out this patented wall heater, and until Coleman came into

the field with one using the same features, there were a number of other heaters, to be sure, but there were no heaters at all that had the same sales features that we did or that sold to the same class of trade, you might say. We regarded this, you might say, as the kind of competition that a Ford would be to Cadillac. We had the Cadillac, and we had the only real quality heater on the market.” [R. 1425.]

Mr. Cox, of Holly’s sales department, stated that the patented wall heaters “very definitely” gave Holly advantages over its competitors. [R. 1019.] Mr. Cox further testified that:

“When we were the only company with a heater with the secondary heat exchanger, the quality of the equipment and the superior performance of the equipment tended to offset any price competition that we ran into.” [R. 1035.]

Also, there was no heater on the market which was competitive with the patented heater “in terms of the way it was built.” Architects and builders frequently specified secondary heat exchanger-type wall heaters. [R. 1417, 1421, 1427-1428.] When a wall heater with a secondary heat exchanger or economizer was specified, only the patented heater would serve, regardless of the size required. [R. 1019, 1020.]

Thus, the patented heater was unique and there were no other heaters available which had the same sales features or which were directly competitive. The mere fact that other wall heaters were available does not negate the finding that in all reasonable probability, Holly would have sold an additional volume of heaters corresponding in number to the infringing sales by Coleman if Coleman had not appropriated Holly’s leading product.

**H. The Combined Sales of Holly and Coleman  
Follow a Trend Established by Holly Prior  
to Coleman's Infringement.**

There is no dispute concerning the unit sales of the patented wall heaters by Holly and by Coleman and their percentage relationship to the total national sales of wall heaters by all manufacturers. [R. 62-63, 425.] These figures are shown in the charts of Appendix A-Enlarged and Appendix B to this brief which are taken from R. 323 and 404.

The chart of Appendix A shows the percentage of the national market commanded by the patented wall heaters and the portions which were supplied by plaintiff and by defendant. The chart shows that the percentage of the national market commanded by the patented wall heater increased rapidly to 18.4% in 1951, the first full year during which the heaters were sold. After Coleman entered the market in late 1952 Holly's sales decreased markedly; hence, Coleman took sales away from Holly. The combined sales of Holly and Coleman commanded a slowly increasing percentage of the national market throughout the infringing period.

The chart of Appendix A shows that there were no marked changes in the combined percentage of the national market when Coleman entered the field. It increased only 1.6% in 1952 and only 3.4% in 1953, the first full year of the infringing sales. Such increases are to be expected for a superior product which achieved immediate commercial success and which had wide trade acceptance. Hence, Coleman's sales were largely due to the superior features of the infringing wall heaters and the large customer demand for them, and not to factors contributed by Coleman. It is reasonably probable that

Holly would have sold additional wall heaters equal in number to Coleman's sales if Coleman had not supplied the infringing heaters.

The Chart of Appendix B shows the total unit sales of patented wall heaters, and the portions which were supplied by Holly and Coleman. This chart further emphasizes the fact that Coleman's sales were largely due to the superior features of the infringing wall heaters, and not to factors contributed by Coleman. Holly's sales of the patented wall heater increased rapidly during the years 1950-1952. Coleman entered the market at the end of 1952, and for the next three years the combined sales of Holly and Coleman merely follow a trend or slope which was created by Holly prior to Coleman's entry in the field. Sales by both parties declined in 1956 due to in large part to a general decline in construction work and to strikes in the construction industry. [R. 50.]

Coleman argues that its sales of wall heaters increased after it introduced its non-infringing line of wall heaters and it contends that it sold 10,399 wall heaters in the first four months of 1957, compared to 9,303 wall heaters during the corresponding months of 1956. (Br. 33.) Coleman contends that this shows that none of its business would have gone to Holly.

However, these figures have no significance because Coleman sold the infringing heaters during the first  $2\frac{1}{3}$  months of this period—up to March 11, 1957.

**I. Approval of a Heater by the American Gas Association Does Not Signify That the Heater Is Competitive With the Patented Heater.**

Coleman places major emphasis on its contention that the other wall heaters approved by the American Gas Association (A.G.A.) were directly competitive with the Holly heater by virtue of the A.G.A. approval.

Coleman's contention that Holly's Mr. Hollingsworth made clear that the upgrading of competitive heaters to a level directly competitive with Holly was made compulsory by 1954 is incorrect. Mr. Hollingsworth merely stated that the A.G.A. testing procedures were changed in 1954. [R. 1161-1162.] A.G.A. approval merely means that the heater in question meets certain minimum standards set up to protect the purchasers of heaters. [Orig. R. 52.] A.G.A. approval of a wall heater certainly does not signify or even intimate that the A.G.A.-approved heater is a type which would be competitive with the patented heater. The A.G.A. regulations could not have required that all wall heaters employ the patented features because these features were covered by Holly's patent and were not available to the trade.

Coleman has submitted statistics (Br. 27) purportedly showing a correlation between Holly sales and the number of manufacturers of A.G.A.-approved wall heaters during the infringing period. However, there is no evidence in the record concerning the type of heaters produced by these A.G.A.-approved manufacturers or the volume of sales of the A.G.A.-approved heaters. There is not even any evidence in the record which shows that the A.G.A.-approved heaters were actually placed on the market after being approved. The number of other A.G.A.-

approved manufacturers standing alone is of no significance. To take an extreme example, each A.G.A.-approved manufacturer other than Coleman and Holly could have produced one heater each. Yet, following Coleman's argument, Holly's sales should vary inversely with the number of A.G.A.-approved manufacturers.

To clearly show that there is no correlation between the number of manufacturers of wall heaters and the sales of the patented wall heaters, the number of A.G.A.-approved manufacturers have been superimposed in graph form on the chart of Appendix A. The percentage of the national market commanded by the patented wall heaters, as shown by the combined sales of Holly and Coleman in the chart, starts from a level created by Holly prior to Coleman's entry into the field. Thereafter the combined sales commanded a slowly increasing percentage of the national market, regardless of the number of manufacturers which were producing other types of wall heaters. The number of manufacturers varied widely throughout the infringing period, but the percentage of the national market commanded by the patented wall heater did not.

Moreover, the chart demonstrates that there is no correlation between the number of manufacturers making wall heaters and either Coleman's sales or Holly's sales, both of which should be affected equally under Coleman's thesis. From 1952 to 1953 the number of manufacturers increased from 16 to 19 and Holly's percentage of the national market decreased. However, Holly's decrease was due to the directly competitive heater which Coleman placed on the market just three months prior to that period. From 1953 to 1954 the number of manufacturers decreased markedly, yet Coleman's percentage of the national market went down slightly and Holly's sales



did not increase in proportion to the decrease in the number of manufacturers. From 1954 to 1955 the number of manufacturers increased almost to the same extent as from 1952 to 1953, yet Holly's sales and Coleman's sales changed very little. From 1956 to 1957 the number of manufacturers almost doubled, and so, according to Coleman's thesis, Holly's sales should have dropped. Yet Holly's percentage of the national market for the first three months of 1957 increased substantially. Holly's percentage of the national market for the second quarter of 1957, the last period as to which there is any evidence, increased still further to 20 per cent. [Accounting Ex. 47.]

Clearly the number of other manufacturers had virtually no effect upon the percentage of the national market commanded by Holly or by Coleman, or upon the percentage of the national market commanded by the total sales of the patented wall heater, as shown by the combined sales of Holly and Coleman. However, Coleman's sales of the infringing heaters did have a direct effect upon Holly's sales.

Thus, the other manufacturers of wall heaters produced wall heaters which were noncompetitive with the patented wall heaters. Only the infringing heaters sold by Coleman were directly competitive with the Holly heater.

The record clearly shows that Coleman made a profit of at least \$1,186,537.27 by its wrongful appropriation of Holly's invention. The record clearly shows that it is reasonably probable that Holly would have made a profit of \$1,450,661.78 if Coleman had not appropriated Holly's wall heaters. Since Holly's lost profit is larger than Coleman's actual profit, the former is the proper measure of damages.

IX.

**Holly's Lost Profits on Its Own Sales Due to  
Coleman's Infringement.**

The Special Master found:

“That defendant's competition caused the plaintiff to reduce the prices on its heaters, to increase its selling efforts and expense, interfered with its market expansion, and that plaintiff's major lay-off probably would not have occurred but for the infringement.” [R. 63.]

However, the Master did not make a specific award of damages to compensate Holly for these injuries because of the difficulty in computing the dollar value of the injuries. The District Court made such an award on the basis of the discretionary power of the Court to increase the damages as actually computed in order to provide full compensatory relief. (35 U. S. C. 284.)

It is well established that the damages as actually computed may be increased in the discretion of the Court to compensate for injuries which are real but difficult to compute in detail. Bad faith or unfairness on the part of a defendant is not required to warrant such an increase.

In *Activated Sludge, Inc. et al. v. Sanitary Dist. of Chicago*, 64 Fed. Supp. 25, 36 (D. Ill., 1946), affirmed 157 F. 2d 517 (7th Cir., 1946) Cert. denied 330 U. S. 834 (1947), the Court stated:

“I conclude that the extra damages recoverable thereunder may be punitive if the circumstances so warrant, but include also damages purely compensatory which are elusive but which plaintiffs ought to recover, not as punishment but as reimbursement for what plaintiffs have actually lost.”

In *Edwin H. Armstrong v. Emerson Radio & Phonograph Corp.*, 132 Fed. Supp. 176, 179 (D. C. N.Y., 1955), the Court stated:

"There is no doubt that the damage provision of the patent law, 35 U.S.C. 284, is remedial, and the damages contemplated may be awarded whether the wrong was intentional or unwitting. Walker on Patents, Dellers Ed., Sec. 835. Public policy dictates that where the injury is to property, intangible aspects of the damage claim which relate to the complexities of our industrial society be satisfied by the imposition of additional damages, which though in some aspects punitive, are inherently remedial."

Coleman contends that there is no evidence in the record showing that Coleman caused injury to Holly in the form of forced price reductions, increased selling expenses, or curtailment of Holly's market expansion. Coleman bases its argument primarily on the contention that other A.G.A.-approved manufacturers were supplying two-thirds of the wall heater market and their competition must have affected Holly more than Coleman's competition.

However, as discussed previously in Section VIII-I of this brief, the number of A.G.A. manufacturers or the yearly variations in the number of A.G.A. manufacturers has little or no significance with reference to Holly's losses. None of the other manufacturers were selling wall heaters having the superior features of the patented heaters. [R. 1023.] Only the Coleman heaters were directly competitive with the Holly heaters. [R. 1425.]

Coleman also contends that when it ceased selling the infringing heaters, Holly's sales remained about the same in terms of the national market, and, hence, there is no

direct relationship between Coleman's infringement and Holly's sales. The evidence shows otherwise. Holly's percentage of the national market was 17.7% in 1956. It increased to 19.1% in the first quarter of 1957, which is the quarter in which Coleman was forced to discontinue its sales by the civil contempt order. Holly's percentage increased to 20% of the national market in the second quarter of 1957. [Accounting Ex. 47.] This is the last date on which statistics are of record in this case.

Moreover, the effect of Coleman's infringing sales was more pronounced during the early part of the infringing period than during the latter part. The wall heater industry did not exist until after World War II. [R. 1430.] During the early years of the industry, it was plagued with many problems solved by the patented heater. (233 F. 2d 71, 81.) As a result, the patented wall heater achieved immediate commercial success in Holly's hands in 1951 and in Coleman's hands in 1953.

Holly was able to sell its wall heaters at prices above other wall heaters before Coleman started selling the infringing heaters. [R. 1425.] However, Coleman's sales of the infringing heaters forced Holly to make price reductions, and some of the reductions were of sufficient magnitude that they were outside the jurisdiction of Holly's Sales Department and had to be made by the President of Holly. [R. 1427.]

Mr. Cox, of Holly's Sales Department, testified that in many instances Holly had to make price reductions or lose the customer. [R. 1027.] Mr. Cox produced invoices and a memorandum [Accounting Exs. 11, 12 and 13] showing that in order to keep a particular customer in Florida from buying the Coleman heaters, Holly had to reduce its price on the popular 35,000 BTU heater

from about \$41.30 to \$36.30, a reduction of \$5.00 per heater. [R. 1028-1029.] This constituted a 12% reduction in price.

Coleman's sales of the infringing heaters also required that Holly's selling effort and expense be increased. [R. 1026-1035.] For example, with reference to the Florida situation where Holly had previously had the field pretty much to itself due to its superior product, Mr. Cox had to make roughly six trips within one year to try to "put out the fire" caused by Coleman's sales of the infringing heaters. [R. 1427.]

The Special Master computed a minimum figure of \$280,000 for Holly's damages through reduction of prices and increased selling costs forced by Coleman's infringement. [R. 50.] The Master pointed out that during 1952, Holly's average sales profit per unit was \$14.52; for 1953 the sum of \$12.46; for 1954 the sum of \$12.50; for 1955 the sum of \$14.11; for 1956 the sum of \$11.22; and for the first three months of 1957 the sum of \$6.24. The Special Master pointed out that the low figures for 1956 and 1957 could not be attributed solely to the infringement because evidence shows that the building industry generally was at a low ebb caused in part by strikes. However, the Special Master pointed out that the loss of approximately \$2.00 per unit in 1953 and 1954 and 50¢ per unit in 1955, under the evidence, could well be attributed to the reduced prices and increased sales costs caused by the infringement. Based upon the number of units sold, Holly's loss computed on this basis would be over \$280,000. [R. 50.]

This provides a rough measure of Holly's damages due to forced price reductions and increased selling expenses. This computation does not include Holly's loss such as

Holly's loss due to curtailment of its market expansion caused by the infringement.

Holly's growth from a small operation in 1938 to a profitable business having annual sales of \$3,300,000 in 1952 was predicated in large part on the development of leading products, as discussed in the Statement of the Facts at the beginning of this brief.

Prior to Coleman's tortious conduct, Holly was successfully employing the patented wall heater to expand its marketing channels, particularly in Holly's expansion outside the State of California. [R. 1419.] In addition to being useful in the expansion of Holly's marketing channels, the patented wall heaters helped Holly obtain dealers who would sell other products manufactured by Holly. [R. 1420.]

Holly's out-of-state business was 15.7% of its California business in 1950, the year in which the patented wall heaters were introduced. In 1951 this increased to 26%. In the second half of 1952 when Coleman started selling the infringing heaters the figure decreased to 21.2%, in 1953 it dropped to 20.3%, and in 1954 it dropped to 14.4%. [R. 1424.] This occurred despite Holly's policy to push sales in its out-of-state market. [R. 1446.] It is therefore clear that Holly's out-of-state business suffered because of Coleman's infringement by which Coleman interfered with the expansion of Holly's marketing channels.

The 33 $\frac{1}{3}$ % increase awarded by the District Court is necessary in order to at least partially restore Holly to the condition it would have been in had the infringement never occurred.

X.

**Coleman's Contempt of the Final Injunction Is Purely a Question of Fact Which Was Resolved by the District Court After Observing Tests of the Accused Devices and Resolving Conflicting Testimony.**

The first infringing heaters manufactured by Coleman were equipped with a four-foot economizer which received a large proportion of its air from the confined wall space around the lower box of the heater. On June 23, 1953, after Holly had accused Coleman of infringement but before suit was brought, Mr. Dawson, counsel for Coleman, gave solemn written assurance that Coleman had ceased infringement and enclosed a drawing purporting to show what Coleman had done. The drawing [Orig. R. 516] shows a solid member located between the lower box and the upper portion of the heater where the secondary heat exchanger or economizer is located. Such a solid member would prevent any movement of air from the lower box to the upper box. Mr. Dawson wrote:

"In the drawing you will note that the second or upper box 10 (the economizer) is closed at its bottom and that it is open only at its forward intake end 11. None of the air from about the lower box is thus able to enter the upper box 10." [Orig. R. 514.]

Had Mr. Dawson's statement been true, infringement might have been avoided, but Mr. Dawson's statement was far from Coleman's performance. What Coleman actually did in its second design (which employed the three-foot economizer and which constituted most of Coleman's sales) was merely to constrict the opening be-

tween the economizer and the space in the wall around the lower box. But the space for communication was still substantial. This reduced the flow of air into the economizer from the space in the wall around the lower box, but did not prevent it. The District Court recognized Coleman's failure to live up to its promises, and this appellate Court quoted the District Court's finding with approval, saying:

"That after Holly had sent notice of infringement of the patent in suit to Coleman, it represented to Holly that it was redesigning the Coleman wall heaters, Models No. 64, 67, 68 and 69 to prevent the flow of air upward into the second box or economizer from the conduit provided outside the first box and inside the wall, but that Coleman's redesigned wall heaters of these models which were manufactured and sold by Coleman on or after November 2, 1953 and which employed its three-foot economizer, did not prevent such flow of air; that Coleman's wall heaters of the said four models and sold by it on or after November 2, 1953 employed its so-called 3-foot economizer which was adapted to receive air flowing upward outside the first box and inside the wall as taught and claimed by the patent in suit. . . ." (233 F. 2d 71, 82.)

When the injunction became final, Coleman tried another maneuver, similar in many respects to the unsuccessful one involved in its change from the four-foot economizer to the three-foot economizer, but even more blatant. This time Coleman continued to sell heaters that were identical to those that had been finally adjudicated to infringe, except for the addition of a so-called "chute" in the cartons in which the wall heaters were sold, along with instructions that the chute should be installed inside



the heaters. This chute, which could be, and sometimes was, installed in the bottom of the economizer, did not reduce the passageway for air into the economizer from the space inside the wall around the lower box, but merely made this passageway a little longer. [R. 551.]

“Under these circumstances infringement . . . seems so clear that there was no reason for requiring the complainant to proceed by supplemental bill rather than by motion to punish for contempt.” (*Heywood-Wakefield Co. v. Frank & Son*, 98 F. 2d 772, 773 (2d Cir., 1938).)

As Judge Learned Hand stated in the case of *Gordon v. Turco-Halvah Co.*, 247 Fed. 487, 490, 491 (2nd Cir., 1917):

“We follow rather the practice . . . that in cases of a colorable evasion of the decree the District Court had the discretion . . . to proceed directly under petition in contempt. . . .”

Holly brought a proceeding in civil contempt to enjoin this second clumsy subterfuge of Coleman, and there was a trial before the District Court.

Coleman, in spite of the fact that anyone could see that the passageway for air into the economizer from around the back and sides of the lower box was still open even with the chute installed, contended that the chute effectively prevented air from coming up from the space inside the wall around the lower box into the economizer and offered to establish this fact by smoke tests of the accused heaters conducted in the presence of the District Court. In making the offer, Coleman's counsel asserted that a view of the tests by the District Court would “put the matter at rest.” [R. 445.] Holly likewise offered to run tests of the accused heaters, employing an instrument called a Titrillog.

The District Court witnessed both sets of tests and heard testimony about the tests from witnesses for both parties prior to and during the conduct of the tests.

At the original trial, Coleman produced testimony about similar smoke tests from three so-called experts, Messrs. Blazier and Petoﬀ, of the University of Wichita, and Mr. Kice, of Coleman's staff. [Orig. R. 384, 396, 283.] These witnesses were conspicuous by their absence during the contempt proceedings. They were replaced by Mr. Harmon, an assistant professor of the University of California, and Mr. Newton, one of Coleman's vice presidents, neither of whom had testified at the original trial. New legal counsel appeared at this stage of the proceedings also, Mr. Stanbury.

The tests performed by Messrs. Harmon and Newton were conducted with pipe cleaners of various lengths dipped in titanium tetrachloride which gave off a white smoke consisting of solid particles of titanium dioxide. This smoke was introduced into the infringing heaters at various points and an attempt was made to control the amount of smoke introduced by regulating the length of the pipe cleaners. Then attempts were made to estimate by eye the relative amounts of the smoke coming out of the heaters at various points, one of the purposes of this approach being to demonstrate the proportion of air coming into the economizer from around the back and sides of the lower box when the chute was installed at the base of the economizer and when the chute was not present.

Professor Harmon was relatively candid in his testimony about the tests. He readily admitted that he had had no prior experience in testing heaters and that he had never before employed titanium dioxide in smoke

tests. [R. 548.] He agreed that in the tests he never really measured anything but simply made estimates based on his eye. [R. 547-548.] He also admitted that the titanium dioxide employed in the tests tended to be deposited within the heater [R. 548], from which it is plain that the amount of smoke coming out of the heater was not the same as the amount of smoke introduced. He agreed further that he sometimes knew in advance the length of the pipe cleaners employed [R. 550] and upon which the volume of smoke introduced purportedly depended, so that his opinion of how much smoke came out could have been influenced by what he wished to see. He admitted that he had never run a test that would determine what proportion of the air issuing from the upper grille of the economizer came up from behind the back and sides of the lower box [R. 552-553], but when pressed by the Court, ventured the opinion that the chute cut off about half of the air entering the economizer from the space inside the wall around the back and sides of the lower box. [R. 555.]

Mr. Newton, Coleman's vice-president, was a biased witness, or, as Coleman's counsel called him during oral argument, "a partisan person." [R. 723.] His testimony was influenced more by the exigencies of the litigation than was that of Mr. Harmon. But he also intimated that the chute cut off no more than half of the so-called "infringing" air. [R. 645.] At the same time, however, his bias led him to testify to the proportions of "infringing" air; *i.e.*, that coming into the economizer from the space around the lower box, with great particularity, in fractions of a per cent. Thus, Mr. Newton, on the basis of the tests which both he and the District Court observed, stated that without the chute, the Coleman economizer

drew 1.33% of its air from the “pink” or infringing space; *i.e.*, that within the wall around the lower box, and that this figure was reduced to 0.6% when the chute was installed. [R. 645.] Coleman contended that both proportions were too small to influence the operation of the heater, which amounts to a contention that it never had infringed the patent because it never had drawn an effective proportion of air into the economizer from the space in the wall around the lower box. This, plainly, was an attempt on Coleman’s part to retry the issue of infringement, which was already *res judicata*.

The testimony of Mr. Newton and Mr. Harmon to the effect that the proportion of air coming into the economizer from the space inside the wall around the lower box was negligible was based on the assertion that there were two important sources of air coming into the economizer that had not been considered before. According to Coleman’s counsel, the expert that Coleman sent to California to confer with its lawyers *neglected* to call attention to these sources [R. 1908] at the original trial, so that evidence about them was not presented at the original trial. Nothing could be further from the truth. Coleman’s Kice testified in the trial on infringement as to the existence of the so-called “green” air and he stated unequivocally that the so-called channel for “brown” air did not exist—“there is no way for it to get in” the economizer. [Orig. R. 350-351, 360-361.] But assuming Coleman erroneously misled the court, this was not the only opportunity that Coleman had to call attention to these alleged newly discovered important air sources. Mr. Newton testified during the contempt proceeding that he had known about the sources as early as April or May of 1956. [R. 573.] But no mention of these air sources is found in Coleman’s

motion for a new trial on the ground of newly discovered evidence, which was made in May, 1956.

In short, Coleman's own conduct indicates that these air sources are of no consequence, and that Coleman itself so regarded them until it began to look for a straw to grasp after Holly instituted the contempt proceedings.

The two "newly discovered" sources of air on which Coleman set such great store during the contempt proceedings were labeled "green" and "brown" to distinguish them from the "pink" or "infringing" air which came into the economizer from the space in the wall around the lower box.

The "green" air was supposed to originate within the lower box at its sides near the top and to pass into the economizer directly from this region. But as Mr. Hollingsworth of Holly pointed out, this "green" air actually passes into the stud space in the wall behind the lower box, before it enters the economizer [R. 622] so that it is really "infringing" air, and during the progress of the tests in the presence of the District Court, Coleman's counsel admitted that the "green" air was of "minor importance" and would not even have subjected it to test save for the District Court's request. [R. 620-621.]

Coleman placed its major reliance on the "brown" air, which could pass through a joint in the top of the lower box into the economizer. Mr. Newton called this joint a "scoop." It was Coleman's contention that the "brown" air passing through this joint or "scoop" was relatively large in amount, and that the air entering the economizer from the space inside the wall around the back and sides of the lower box was negligible, whether or not the "chute" was employed.

Mr. Newton testified that the “scoop” had always been present in the Coleman heaters and in an excess of zeal, even asserted that the scoop was actually designed to proportion the flow within the lower box and to send part of the “brown” air directly into the economizer. [R. 582.] But if any such function was actually designed into the original heaters back in 1952, it is inconceivable that it would not have been brought out at the trial while Mr. Giwosky, the designer of the infringing heaters, was still at Coleman (233 F. 2d 71, 84), or in the petition for a new trial. The only thing that Mr. Newton’s testimony about the “brown” air establishes is that he was desperately seeking an escape for Coleman in the contempt proceeding and did not let veracity interfere with his object.

Other evidence pointing to the lack of significance of the “scoop” and the “brown” air that may pass through it into the economizer is the fact that it is not shown in Coleman’s production drawings of the heater [Accounting Ex. 44, R. 1662], nor in the Giwosky patent [Accounting Ex. B], which Coleman’s design engineer Fertig testified was followed *exactly* in the construction of the heaters with the three-foot economizers. [R. 1051.] Fertig’s testimony is of particular importance on this point since he had worked with Giwosky as a draftsman in designing the infringing heaters. [R. 1057.] Coleman’s Mr. Newton, on cross-examination concerning Coleman’s assembly drawing of one of the infringing heaters (a Model 67), admitted that the flange or so-called “scoop” bears directly against the front edge of the top of the lower box, and that if it were so constructed, it would seal off the so-called “brown” air flow to the economizer. [R. 1662.] An inspection of Coleman’s heater [Trial

Ex. 24] will quickly show the physical insignificance of the so-called "scoop," which is in reality no more than a joint between two overlapping pieces of sheet metal.

Mr. Landsberg, an engineer in the employ of Consolidated Engineering Company, who had made tests to determine the relative air flows into Coleman's economizer with a scientific instrument called a Titrilog and who had testified about these tests during the original trial, readily admitted during the contempt proceeding that he had not then taken into account the flow of so-called "brown" air into the economizer through the so-called "scoop." [R. 558.] But the insignificance of the "brown" air flow was quickly determined by Mr. Landsberg in another set of tests that he ran during the contempt proceeding in the presence of the District Court. In these tests, Mr. Landsberg measured air flows in the Coleman heater with the crack at the "scoop" open and with the crack sealed with tape, employing the "Titrilog" as a measuring instrument—an instrument incidentally which had received praise and approval from Coleman's witness Blazier at the original trial. [Orig. R. 393-394.]

Mr. Landsberg's tests showed that with the "scoop" open, the air coming to the economizer from the lower box amounted to 19.4%—a composite of that coming from the confined area around the lower box and the "brown" area. When the scoop was taped shut, so that air could enter only from the confined area around the lower box, the percentage dropped to 14.9%. [R. 654, 686-687.] In other words, the "brown" air amounted to the difference of the percentages 19.4%—14.9%, or 4.5%. In short, Mr. Landsberg's tests showed that with the "brown" air excluded, the economizer still received a large propor-

tion of the air from the space in the wall around the lower box.

Mr. Landsberg did not attempt to measure the relative flows from the "green" and "pink" areas into the economizer [R. 687], for, as Mr. Hollingsworth had already testified, the "green" air was really "infringing" air because it merged with the "pink" air in the stud space within the wall before it entered the economizer. [R. 622.]

Coleman also contends that Holly offered no evidence and did not prove that the heaters with the chute infringe its patent. This is not true. Holly showed that the wall heater structure was exactly the same as that previously adjudicated to infringe, except that the chute was added. [R. 27.] Holly also showed by affidavits that the chute did not alter the basic operation of the wall heaters previously found to infringe. [R. 28, 30, 33.] The District Court witnessed inter partes tests of the wall heaters and Mr. Landsberg re-ran his tests before the Court and showed that there was no substance to Coleman's contention that he made a "fantastic" error. [R. 654, 686-687.] He showed that there was a substantial flow of air up the space between the lower box of the heater to the economizer or secondary heat exchanger, and the District Court agreed with him. [R. 766.]

The fact of infringement by the heaters modified by the "chute" was corroborated by Coleman's Mr. Berry during the accounting, whose tests showed that with this flow of air completely shut off, the wall temperatures were too high and the heater would not pass A.G.A. regulations [R. 1556, 1560, 1566], thus demonstrating the importance of the air flow observed by Landsberg.

The District Court was accorded an opportunity to estimate flows of air during the smoke tests conducted by



Coleman during the contempt proceedings. His eyes did not observe the result that Mr. Newton testified to from the same tests; namely, that only about 1% of the air came into the economizer from the space inside the wall around the lower box. Instead, the District Court observed that:

“The test here, as suggested this morning seems to me to be whether enough air enters the economizer from the pink or infringing area to affect materially the efficiency of the heater. Without the chute it is adjudicated that it does. The best estimate that I can make, doing some calculations as I did during the course of the argument, is that if around 20 percent of all the air in the economizer as coming out of the economizer is comprised of brown, green and pink air, that approximately 6 percent would be brown, the remainder would be green and pink, and using the best estimates we have and placing them in round figures, the evidence indicates that the chute cuts off two-thirds, say two-thirds, of the air to the economizer from the pink area.

“I must find that the elimination of two-thirds of the air from the pink area still leaves the air from the pink area materially affecting the efficiency of the heater, and that therefore it constitutes an infringement.” [R. 766.]

The eyes of the District Court were just as good as those of Coleman’s Messrs. Newton and Harmon, and the District Court’s conclusion was based upon what it actually saw in the way of physical evidence. Messrs. Newton and Harmon, “partisan persons,” were inherently influenced by their desire to show non-infringement. The District Court was unbiased and it found infringement based upon what it saw. Accordingly, the District

Court's conclusion is entitled to great weight. "Appellate courts should be slow to impute to local courts a want of diligence or perspicacity." (*Cavness v. United States*, 187 F. 2d 719, 723 (9th Cir., 1951).) And this is particularly true of a lower court's finding of fact in a case involving the conflicting opinions of experts and inter partes tests where the Court can see as well as the experts what is occurring.

Rule 52(a) of the Federal Rules provides in part:

"Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of witnesses. . . .

"To no type of case is this [clause] more appropriately applicable than to the one before us, where the evidence is largely the testimony of experts as to which a trial court may be enlightened by scientific demonstrations . . . the record shows, the trial judge visited laboratories with counsel and experts to observe actual demonstrations . . ."

(*Graver Tank and Mfg. Co. v. Linde Air Products Co.*, 339 U. S. 605, 611.)

This Court has long recognized the heavy weight which must be accorded the findings of a trial court in these circumstances.

"As well pointed out in *Hazeltine Research v. Admiral Corp.*, 7th Cir., 183 F. 2d 953, where as here, the decision turned upon questions of fact, an appellate court is not in a position to try such fact questions *de novo*." (*Laishman v. General Motors Corp.*, 191 F. 2d 522, 529 (9th Cir., 1951); *Bergman v. Aluminum Lock Shingle Corp. of America*, 251 F. 2d 801, 811, 812 (9th Cir., 1957).)

The finding of the District Court on the issue of contempt is a finding of fact, supported by the evidence and is particularly strong since it depends upon what the Court actually saw with its own eyes during the conduct of the tests. It is not clearly erroneous and must be sustained.

## XI.

### **The Wanton Character of Coleman's Acts Warrants the Increase in Damages and Attorneys' Fees Which Have Been Awarded by the District Court.**

The award of attorneys' fees and the punitive increase in damages is well justified because:

(1) Coleman and Holly were direct competitors in the sale of wall heaters, but after Holly introduced its patented wall heater, Coleman found that its wall heater then in production was not competitive. [R. 1249.] Coleman thereupon deliberately copied the Holly heater with immaterial variations. (233 F. 2d 71.) Punitive damages are justified where a patented invention is deliberately copied without material variation. (*Wensel v. Gold Hill Hardware Mfg. Co.*, 21 F. 2d 974 (So. Dist. Cal., 1927).)

(2) When the possibility of infringement of Holly's patent rights was raised at Coleman, its president, Mr. Sheldon Coleman, instructed his design engineer to go ahead and said that "he would take care of that matter when it came up." [R. 1252.] He elected to ignore Holly's rights. Punitive damages are justified where the defendant's acts are without regard to propriety or the rights of others, or are careless of the consequences and yet without malice. (*National Folding Box and Paper Company v. Robertson's Estate*, 125 Fed. 524, 526 (C. C. Conn., 1903).)

(3) Coleman requested a license under Holly's patent and was refused [R. 1436], yet Coleman went ahead and placed the device on the market only one month after being refused. This shows that Coleman was of the opinion that its heaters infringed at the time it placed the heaters on the market. Punitive damages are justified where the infringement is willful. (*Bristol Laboratories v. Schenley Laboratories, Inc.*, 117 Fed. Supp. 67, 81 (S. D. Ind., 1953).)

(4) It is *res judicata* that Coleman's infringement was willful, intentional and deliberate throughout the infringing period, and this is sufficient to justify punitive damages. (*Bristol Laboratories v. Schenley Laboratories, Inc.*, 117 Fed. Supp. 67, 81 (S. D. Ind., 1953).)

(5) Coleman, or its agent Mr. Dawson, was careless, if not actually wanton, in its investigation of infringement of the Holly patent because Mr. Dawson, as patent counsel for Coleman, testified that he was not familiar with the various production models of the Coleman heaters, that he did not know whether the statements he made about the heaters were actually true, and that he did not see any tests of the heaters prior to the commencement of the present lawsuit. [R. 786.] Punitive damages are justified where defendant's belief that it was not infringing was due to carelessness in ascertaining the facts, or carelessness in construing the scope of the invention. (*Russell Box Company v. Grand Paper Box Company*, 203 F. 2d 177, 183 (1st Cir., 1953), Cert. denied, 346 U. S. 821.)

Punitive damages are justified where the infringement was conscious and deliberate and the resulting litigation was protracted, vexatious and expensive. (*Overman Cushion Tire Company, Inc. v. Goodyear Tire & Rubber*

*Company, Inc.*, 66 F. 2d 361 (2nd Cir., 1933); *Krentler-Arnold Hinge Last Company v. Leman*, 24 F. 2d 423, 425 (D. C. Mass., 1928).) The record in the present case is replete with evidence which more than meets these requirements as follows:

(6) After Holly served a formal notice of infringement on Coleman, Coleman misrepresented that it was changing the structure so that there was no possibility of any flow of air from the space about the lower unit into the upper box. [Orig. R. 513.] A drawing was sent to Holly showing that the proposed structure would have a *solid barrier plate* extending throughout the space between the lower and upper boxes of the heater. [Orig. R. 516.] However, Coleman did not do this. The changed structure was essentially the same as Coleman's previous structure, and Holly found it necessary to test the Coleman structure and show that Coleman's new structure infringed the Holly patent the same as the previous structure.

(7) Coleman improperly installed the heaters employed in the inter partes tests that were run at Wichita in an effort to show non-infringement. [Orig. R. 476, 594.]

(8) Coleman was and is stubbornly litigious and has burdened Holly with "protracted, vexatious, and expensive litigation" even to the point that a contempt action was required in order to keep all of the previous litigation from being rendered a nullity.

(9) Coleman withheld records that were relevant in the accounting. This is particularly true with respect to Coleman's reports to the government which constitute the entire basis for its arbitrary allocation of expenses. [R. 1744.] It also failed to keep separate records of the

profits made from the infringement. [R. 835, 1732.] These acts and omissions are certainly grossly careless, if they do not amount to actual and deliberate concealment of pertinent facts.

(10) Over the repeated objections of Holly's counsel, Coleman endeavored to retry this action on the issue of infringement in the accounting proceedings and presented much evidence before the Special Master and the District Court which had already been considered and rejected by the Courts on this very issue. By way of example, Coleman's Mr. Newton gave testimony before the Special Master to the effect that the Coleman heater derived only a small percentage of the air for its secondary heat exchanger or economizer from the space about the lower box, and that this air was leakage only. Yet he testified with respect to the data upon which he based his computation that, "I used the data which I took from the record in the contempt part of the trial." [R. 1593.] Coleman's legal counsel, Mr. Stanbury, corroborated this by stating, "It is in Volume III (of the contempt transcript) and it describes it when the court was present." [R. 1594.]

(11) During oral argument before the Special Master and before the District Court, Mr. Stanbury urged that Mr. Newton's computations were based upon something new and that the results shown by these computations render the assessment of damages in the present case like the assessment of damages in a wrongful death action after the supposedly dead person walks into the court room. [R. 1826, 1866.] However, he was merely re-arguing the very same evidence which the District Court had previously rejected. As Mr. Stanbury pointed out when the evidence was presented before the Special Master, "this is not new evidence." [R. 1593.] "It is in

Volume III (of the contempt transcript) and it describes it when the Court was present.” [R. 1594.]

(12) In this appeal Coleman is still endeavoring to retry the issue of infringement and on the basis of the *same data* which the District Court rejected, and this data is the very same type which the District Court and this Court rejected previously. For example, before the Special Master [R. 1814], before the District Court [R. 1863-1866], and in its opening brief before this Court (Br. 6, 11, 48, 50, 71, 75), Coleman asserts that the data which it presented in the contempt trial concerning percentages of air flow are correct and that this data makes all of the other proceedings concerning infringement incorrect. As discussed in Sections I and II of this brief, the prior data was not incorrect at all.

(13) It has been shown in *Coleman v. Siegler*, Appeal No. 16154 now before this Court, that Coleman's Giwosky patent which it is exerting against Holly covers a design which Coleman said it was going to convert to in order to avoid infringement but never did, that Claim 2 of the Giwosky patent covers a design which Mr. Giwosky tried and found to be unsatisfactory because it would not pass A.G.A. tests, and that these facts coupled with the timing of the Giwosky patent indicate that it was obtained only for nuisance value against Siegler's predecessor, Holly.

(14) Coleman continues to argue in the case of *Coleman v. Siegler* that Claim 2 of its Giwosky patent is valid and infringed by Siegler. Yet Siegler has shown that it does not infringe the Giwosky patent because the Holly heater takes all the air for its secondary heat exchanger or economizer from the space about the lower box of the

heater. [R. 1205.] The inference is clear that the litigation in *Coleman v. Siegler* is being continued for nuisance purposes.

Coleman continues to employ every legal maneuver available to it whether justified or not. Punitive damages are warranted.

An award of attorneys' fees may be justified by even less showing of unfairness or bad faith than is required to justify an award of punitive damages. (*Livesay Window Company, Inc. v. Livesay Industries, Inc.*, 251 F. 2d 469, 475 (5th Cir., 1958).) In the Ninth Circuit cases of *Pacific Contact Laboratories v. Solax Laboratories*, 209 F. 2d 529 (9th Cir., 1953), and *Morrill, et al. v. Kelly Ryan Equipment Company*, 104 U. S. P. Q. 161 (So. Dist. Calif., 1954) (not reported in Fed. Rep.), the courts awarded attorneys' fees to a successful patent owner but did not award increased damages. In the *Pacific Contact Laboratories* case the court sustained an allowance of attorneys' fees on the ground that the infringement was deliberate and willful and the infringing product was a "Chinese copy" of the patented device. In the *Morrill, et al.* case, the court awarded attorneys' fees on the grounds that the infringement was willful and deliberate.

Any one of the above-enumerated grounds is sufficient to justify an award of punitive damages and attorneys' fees. Coleman cannot refute any of the many grounds. However, in an endeavor to justify its actions, Coleman alleges that it acted in good faith because it consulted its engineers and its patent counsel and because it obtained a patent of its own. Mere consultation and obtaining a patent do not establish good faith. Actions belie words,



and Coleman's actions show that it deliberately proceeded in complete disregard of Holly's patent rights.

Correspondence between Mr. Olds and Coleman's patent counsel, Mr. Dawson, indicates that Mr. Olds wrote on January 13, 1953, that he felt that Coleman did not infringe Holly's patent. However, he was an engineer, not a patent lawyer, and hence he asked Mr. Dawson for his opinion. [R. 1267-1271.]

Despite the rule that all letters in a series of correspondence should be introduced, Mr. Dawson's response to this request was not put in evidence by Coleman. The next piece of correspondence of record is dated March 23, 1953. Again it is directed from Mr. Olds to Mr. Dawson. It stated that, "It is true that we have two ribs on the back of our casing. Hence it could be claimed that we have automatically provided a channel for the circulation of air from floor level around what the patent terms the lower box and up into the top box" [R. 1279]; that "certainly Holly could prove that some circulation does exist" [R. 1281]; and that to seal against that circulation "we can try a baffle at the top of the casing at the back to see what it will do. However, this may be difficult for American Gas Association tests covering wall temperatures surrounding the unit are extremely difficult to meet. Therefore, even a slight change of this kind might throw us over the allowable 90° rise." [R. 1281.]

This was a clear indication that Coleman knew that it was using this feature of Holly's patented wall heater and knew that it would be "extremely" difficult or impossible to dispense with that flow of air. That such flow of air was essential was corroborated by Coleman's Mr. Berry during the accounting proceedings. He tested a

heater with this flow of air cut off and found that it would not meet the A.G.A. regulations concerning wall temperatures. [R. 1556, 1560, 1566.]

Mr. Dawson testified during the accounting proceedings that he advised Coleman that in his opinion there was no infringement. [R. 779.] However, he admitted that he was not familiar with the wall heaters at the time he gave his opinion, that he did not know whether the statements he made about them were actually true, and that he had not observed any tests of the heaters. [R. 786.] Obviously, Mr. Dawson was not sufficiently informed to render an opinion concerning infringement upon which Coleman could rely in good faith. Yet he was given responsibility for guiding Coleman. [R. 1281.]

Moreover, there is no written evidence in the record showing what Mr. Dawson actually told Coleman. The facts of record show that Coleman or its agent was grossly indifferent to the point of carelessness. The facts of record further provide a strong inference that Mr. Dawson informed Coleman that it was infringing. Otherwise, why would Coleman request a license under the patent in September, 1952, after Mr. Dawson examined the file wrapper of the patent and gave a report to Coleman on August 28, 1952? [R. 1256, 1267.] Likewise, why would Mr. Dawson inform Holly on April 15, 1953 that Coleman was changing its wall heater structure so as to prevent any flow of air from the lower box to the upper box [Orig. R. 513], if it was in fact his opinion that there was no infringement?

The fact that Coleman obtained a patent of its own is of no significance with respect to its claim of good faith. If Coleman's patent had been obtained without

knowledge of a possible conflict with Holly, it might have some significance concerning good faith. However, the timing of Coleman's Giwosky patent is exactly opposite to the situation required for good faith. The application for the Coleman patent was not filed until October 1, 1953, more than one year after the Holly patent issued as a public document, and after Coleman had notice of the Holly patent, and after Coleman's design engineer had inspected the Holly heater. (233 F. 2d 71, 84.)

Moreover, Coleman's infringement was complete about a year before it filed its patent application, because it placed the infringing devices on the market in October, 1952, long prior to the date on which it filed its application—October, 1953. Furthermore, the Coleman application was not filed until after Holly had served a formal notice of infringement on Coleman, and not even until after Holly filed its complaint in the present action against Coleman. Hence, it is clear that Coleman's patent is merely a sham.

Further evidence of the insignificance of Coleman's patent is that the District Court found the patent to be invalid. One ground for this decision was that Coleman's patent did not show invention over Holly's prior patent. This matter is the subject of Appeal No. 16154 now before this Court.

Moreover, Coleman did not follow its Giwosky patent which requires that all of the air for the secondary heat exchanger or economizer enter directly from the room. Rather, Coleman derived part of this air from the space about the sides and back of the lower box in accordance with Holly's patent.

Coleman did not mark the Giwosky patent number on its wall heaters in accordance with 35 U. S. C. 287, and this is further evidence that Coleman did not follow its own patent. It could have incurred a penalty under 35 U. S. C. 292 if it had falsely marked the Giwosky patent number on its heaters.

Thus, the mere existence of Coleman's Giwosky paper patent does not establish good faith at all.

Coleman contends that \$20,265.98 of the increase in damages concerning the contempt sales is improper. The District Court rendered only one decision in which Holly's actual damages were assessed and in which the Court also awarded punitive damages. The award may be increased "up to three times the amount found or assessed." (35 U. S. C. 284.) The increase in the present case is far short of the amount permitted by statute, and is obviously permissible and proper.

Coleman even objects to the District Court's Finding XXVII that "The attorneys' fees and expenses incurred by plaintiff in the contempt proceedings in the amount of \$9,269.77 is reasonable." Yet when it was offered in evidence, Coleman made no objection concerning accounting Exhibit 49, which sets forth the facts concerning these expenses. Coleman even waived the foundation for this exhibit. [R. 1806.]

An award of attorneys' fees and punitive damages is discretionary with the trial court and in the present case the District Court was in excellent position to evaluate Coleman's motives and lack of good faith. Also, the present record is replete with evidence showing Coleman's motives and bad faith. The District Court exercised proper discretion in awarding attorneys' fees and increasing the award to provide punitive damages.

As another court has stated:

“The law placing, as it does, the discretion in the trial court to determine whether the compensatory damages shall be increased in the nature of a penalty and whether the case is an exceptional one so that attorneys’ fees should be allowed, appellate courts ought not to and will not interfere with the exercise of such discretion. Indeed, they may not do so unless there is such a clear abuse as to show that discretion was not exercised, or unless it is plain that the trial court’s decision is based on an erroneous concept of law. This is not such a case.” (*Graham v. Jeoffroy Mfg. Inc.*, 253 F. 2d 72, 78 (5th Cir., 1958).)

## XII.

### **This Appeal Is Frivolous and Vexatious.**

It is requested that this Court increase the damages actually awarded by the District Court in the amount of 10% and double costs to provide just damages to Holly for the unwarranted delay, for its expenses for legal counsel incurred in this appeal, and for printing its briefs and portions of the record, caused by Coleman’s appeal on frivolous and vexatious grounds.

This request is under the provisions of 28 U. S. C. 1912 which provides “Where a judgment is affirmed by the Supreme Court or a Court of Appeals, the Court, at its discretion, may adjudge to the prevailing party just damages for his delay and single or double costs.”

Throughout the accounting proceedings and throughout its brief on this appeal, Coleman has been stubbornly litigious to the point that the legal proceedings have become frivolous and vexatious. Coleman is still endeavoring to retry the entire case, even though it has employed

every legal maneuver available to it and has lost every decision unequivocally throughout the six years that this litigation has been going on.

This is an accounting, not an action for patent infringement. Yet Coleman is now arguing that it really did not infringe at all and, hence, nominal damages should be awarded. In support of this, Coleman urges that the evidence upon which all the prior decisions are based, including the decision of this Court, is mistaken and incorrect. Yet Coleman is basing its argument upon the *very same type evidence* which both the District Court and this Court have already considered and rejected. Nothing new has been added. Coleman is merely endeavoring to retry the case again.

In its effort to reargue the entire case, Coleman is even arguing points which it did not set forth in its Points on Appeal or Statement of Errors.

After being adjudged an intentional tort-feasor, Coleman now contends that it derived no benefit from the infringement because it wanted to exclude the flow of air from the lower box to the economizer and actually did reduce this flow somewhat. However, it is elementary that mere modification in size of an element of a patent claim does not avoid infringement. Coleman derived a large benefit from the infringement—\$1,186,537.27.

Coleman further contends that it could have produced a non-infringing wall heater which would have had all the major features of the Holly heater and which would have been fully competitive with the Holly heater. This is entirely conjectural and speculative and is a tactic which the courts have expressly rejected.

Even if Coleman could show that it could have produced such a non-infringing heater it would have no in-

fluence on the damages in this case. This is because any such standard of comparison must have been in common use prior to Holly's invention. There was no such device.

Also, Coleman has alleged throughout this accounting proceeding that since 1946 profits have been virtually eliminated as a measure of damages under the statute concerning damages in patent cases. Actually the 1946 change broadened the statute. The Congressional proceedings concerning this statute and the decisions which have interpreted the statute show that profits are a proper element or measure of damages so clearly that further argument by Coleman to this effect is frivolous and vexatious.

The case of *Wright v. Central National Bank of Topeka, Kansas*, 37 F. 2d 234 (10th Cir., 1929) (cert. den. 281 U. S. 755) is similar to the present case with respect to the nature of the appeal. In the *Wright* case there was a long series of litigation in which the defendant lost every round, just as in the present case. After the decision of the Court became final, the defendant brought suit to enjoin enforcement of the judgment. In the present case Coleman has done everything possible to avoid enforcement of the judgment. In the *Wright* case the Court found the appeal to be without merit, vexatious and frivolous and awarded an increase in the damages in the nature of a penalty under 28 U. S. C. 878 and 880. It is submitted that the present appeal is without merit, vexatious and frivolous and that damages should be increased under 28 U. S. C. 1912, which has superseded 28 U. S. C. 878 and 880 and which is exactly the same as the previous statute as far as the present case is concerned.

Similar awards have been made by this Court. In *Commercial Wholesalers, Inc. v. Investors Commercial*

*Corporation*, 172 F. 2d 800 (9th Cir., 1949), this Court awarded the appellee its costs of printing its brief and its counsel fees as damages for the expense and delay caused by an unwarranted appeal.

Likewise, in *Grace Lowe v. Glen A. Willacy*, 239 F. 2d 179 (9th Cir., 1956), this Court found an appeal to be frivolous and as just damages for the delay caused by the appeal, the Court awarded double costs, an amount equal to appellee's attorneys' fees and the cost of printing appellee's brief.

It is submitted that the award should be increased 10% and with double costs due to the frivolous and vexatious nature of the appeal. Litigation of this type should be discouraged, and Holly is entitled to just damages for its delay, trouble and expenses in this appeal.

### **Conclusion.**

Coleman is paying no more than lip service to the prior decisions of the District Court and of this Court and is rearguing the entire case, particularly the issue of infringement.

Coleman's arguments about infringement concern only questions of fact and it is merely rehashing the prior evidence and arguments which were settled by the trial court after inspecting the infringing devices and witnessing inter partes tests.

Coleman's arguments about the amount of the damages are also merely questions of fact which were resolved by the trial court after extensive proceedings. The only possible question of law is whether or not profits are recoverable as damages today, either the infringer's actual profits or the patent owner's probable profits, both of which are traditional measures of damages in patent cases



as well as in other cases involving tortious wrongs. The law is crystal clear that such profits are recoverable to-day. Hence, this question of law is beyond dispute.

The amount of Coleman's actual profits is not seriously disputed by Coleman on this appeal. Coleman, as an intentional tort-feasor, must give up these profits in any event.

However, Coleman interfered with exploitation of the unique patented wall heaters by Holly, causing Holly to lose sales and to suffer other losses. In all reasonable probability Holly would have sold additional wall heaters corresponding in number to Coleman's infringing sales.

Holly's damages, computed on the basis of its lost sales, is larger than Coleman's actual profits. Hence, Holly's lost profits is the proper measure of damages in this case. That is what Coleman wrongfully took from Holly.

The  $33\frac{1}{3}$  per cent increase in the award is necessary to compensate Holly for its other losses such as increased selling expenses, forced price reductions, and curtailment of its market expansion.

There is abundant evidence to justify the award of punitive damages and attorneys' fees. Coleman's improper endeavor to reopen the entire case in the present appeal and argue matters which are *res judicata* is one striking example.

Whether or not the sales of the wall heaters after the injunction became final were in contempt of court is purely a question of fact. The sole issue is whether or not the wall heaters sold with chutes infringed Holly's patent. The issue of infringement is a question of fact. The District Court found infringement. Great weight is given a trial court's determination of questions of fact,

particularly when the determination is based upon an inspection of physical apparatus and inter partes tests of the apparatus.

Due to the extensive legal proceedings involved before it, the District Court was in excellent position to balance the credibility of the witnesses, and to balance the persuasiveness and weight of the evidence. Its judgment on all the issues is well supported by the record before this Court and there is no error.

Coleman has been litigious to the point that this appeal is vexatious and frivolous.

The decision of the District Court should be affirmed on all grounds, and the award should be increased 10% by this Court in order to do justice.

Respectfully submitted,

CHRISTIE, PARKER & HALE,

By JAMES B. CHRISTIE,

C. RUSSELL HALE,

*Attorneys for Appellee.*

RICHARD B. HOEGH,  
*Of Counsel.*

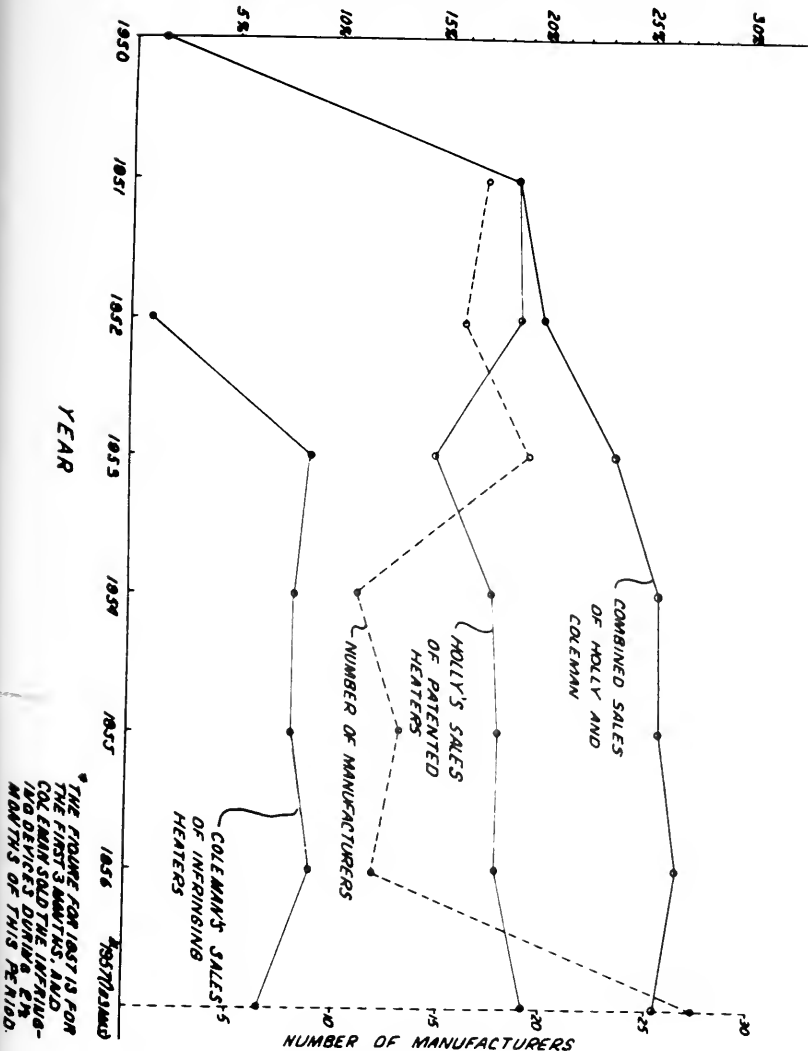




## APPENDIX A.



PERCENTAGE OF NATIONAL WALL HEATER  
MARKET BASED UPON UNITS SHIPPED



APPENDIX A - ENLARGED

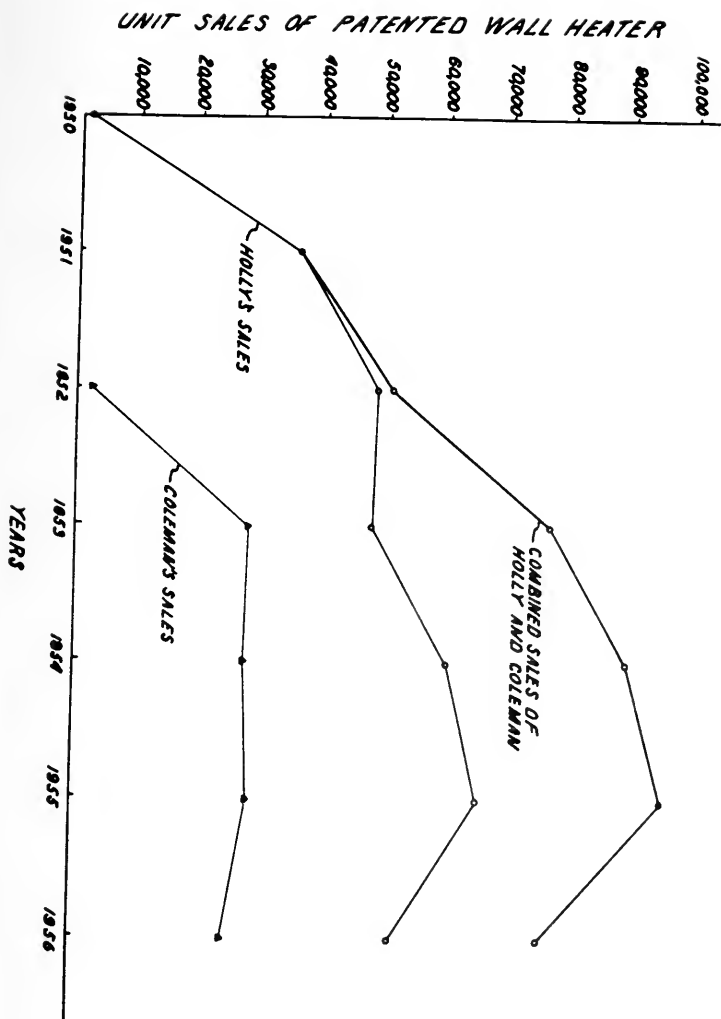
Endorsed: Filed April 10, 1958.





## APPENDIX B.





**APPENDIX B**

Endorsed: Filed March 25, 1958.



## APPENDIX C.

The 1946 amendment to the patent statutes originated in the House of Representatives. When the amendment (H. R. 5311 to amend 35 U. S. C. Sec. 70) came to the floor of the House, the following colloquy occurred:

“Mr. Cole of New York: . . . In order that the House may be fully advised as to the effect of the bill, I ask that some informed Member explain it . . .

“Mr. Lanham: . . . This bill simply provides for proper damages with reference to infringement, and allows the court, *in case the infringement of the patent is innocent, merely to assess royalties and*\* restrain further infringement and *in case of willful infringement to provide what the damages shall be.*\* The measure of such damages is clearly set out. It will be due compensation for making, using, or selling the invented article, not less than a reasonable royalty therefor. If the gentleman has examined the report, he will have noted that the object of the bill is to make *the basis of recovery in patent-infringement suits general damages; that is, any damages a complainant can prove, not less than a reasonable royalty* . . .\*

“Mr. Cole of New York: I would like to be sure. Do I understand correctly that the effect of this bill is to make a *reasonable royalty for an infringement the measure of minimum damages*\* to any holder of a patent whose patent has been infringed?

“Mr. Lanham: That is the purpose of the bill as brought out before the Committee.

“Mr. Cole of New York: And to that extent it would simplify the case of an aggrieved party in proving damages?

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\*Emphasis ours.

“Mr. Lanham: It would . . .

“Mr. Cravens: *Would not that mean the enforced compulsory licensing of patents\** if the invention is limited to merely collecting royalty?

“Mr. Lanham: *The inventor is not limited merely to collecting the royalty. I would say that in the case of an innocent infringer who had infringed without notice and without knowledge that it would be unreasonable to collect from him more than the reasonable royalty.\**

“Mr. Cravens: I agree on that.

“Mr. Lanham: *But if there has been a willful infringement, then the damages as set out in the bill can be collected.\**

“Mr. Cravens: And such damages could still be recovered under the existing law in the case of willful infringement.

“Mr. Cole: Mr. Speaker, I withdraw my reservation of objection.” (Cong. Rec.—House, 1946, p. 1857.)

When the House Bill came before the Senate it was accompanied by a Committee report which stated:

“The object of the bill is to make *the basis of recovery in patent infringement suit general damages, that is any damages the complainant can prove not less than a reasonable royalty, together with interest from the time the infringement occurred, rather than profits and damages. . . . Although the bill would not preclude the recovery of profits as an element of general damages,\** yet by making it unnecessary to have proceedings before Masters and empowering equity Courts to assess general damages irrespective of profits, the measure represents proposed legislation which in the judgment of the Com-

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\*Emphasis ours.

mittee is long overdue." (Senate Report No. 1503 of June 14, 1946, 1946 Congressional Code Service 1386.)

Thereafter, the following discussion occurred on the floor of the Senate:

"Mr. Revercomb: I should like to ask for an explanation of the House bill 5311 and House bill 5223, both of which deal with proposed changes in the patent law.

"Mr. Pepper: . . . Let me state what the bill does: *Under the present law, if a suit is maintained for the infringement of a patent, the measure of damages is the profit made by the alleged infringer, and also general compensatory damages which might have been suffered by the claimant.\**

Experience has proven that it is such a difficult accounting matter to determine what the profit of the alleged infringer has been that there is almost always an interminable delay in connection with the recovery sought.

Consequently, the basis laid down by this bill is general compensatory damages which the plaintiff in the suit sustains. Of course, *that may include profits, but it is not limited to profits,\** and it is not necessary to prove profits, if the plaintiff does not find it appropriate to do so . . ." (Cong. Rec.—Senate 1946, p. 9188.)

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\*Emphasis ours.





No. 16141

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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THE COLEMAN COMPANY, INC., a corporation,

*Appellant,*

*vs.*

HOLLY MANUFACTURING COMPANY, a corporation,

*Appellee.*

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Appendix to Reply Brief of Defendant-Appellant  
the Coleman Company, Inc.

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**FILED**

APR 23 1959

PAUL P. O'BRIEN, CLERK



## APPENDIX A.

Prior to 1946 the patent damage statute, 35 U. S. C. §70 (Rev. Statute, § 4921), provided that:

“\* \* \* upon a decree being rendered in any such case for an infringement the complainant shall be entitled to recover, in addition to the *profits* to be accounted for by the defendant, the *damages* the complainant has sustained thereby \* \* \*” (Emphasis added.)

The foregoing statutory provision was amended in 1946 (60 Stat. 778) to read:

“\* \* \* upon a judgment being rendered in any case for an infringement the complainant shall be entitled to recover *general damages* which shall be due compensation for making, using, or selling the invention, not less than a reasonable royalty therefor \* \* \*”

By making the basis of recovery in patent infringement suits “general damages” rather than “profits” and “damages,” the intention of Congress was to limit the patent owner to his actual, provable damages, or alternatively to a reasonable royalty. House Report No. 1587 (79th Congress, 2nd Session) explains the purpose of the bill as follows:

“The object of the bill is to make the basis of recovery in patent-infringement suits general damages, that is, *any damages the complainant can prove*, not less than a reasonable royalty, together with interest from the time infringement occurred, *rather than profits and damages.*”

“Although the bill would not preclude the recovery of profits *as an element of general damages*, yet by making it unnecessary to have proceedings before

masters and empowering equity courts to assess general damages irrespective of profits, the measure represents proposed legislation which in the judgment of the committee is long overdue." (Emphasis added.)

The definition of general damages as "any damages the complainant can prove" was specifically referred to when the bill was taken up on the floor of the House. (Congressional Record, Mar. 4, 1946, p. 1894.) The report of the Senate Committee on Patents also emphasized that the object of the bill was to make the basis of recovery the damages that the patent owner could prove. (Senate Report No. 1503, 79th Congress, 2nd Session.)

Thus, it is quite clear from the legislative history of the 1946 amendment to the patent damage statute that thereafter a patent owner could only claim as a matter of right his actual, provable damages as distinguished from the infringer's profits, and that the infringer's profits could only be reached by proving that they were an element of the damage actually sustained. This interpretation was expressly confirmed in the first case construing the 1946 amendment. (*Ric-Wil Co. v. E. B. Kaiser Co.*, 179 F. 2d 401, 407 (7th Cir., 1950).)

In the *Ric-Wil* case the lower court had entered a judgment requiring the defendant to account for and pay to plaintiff all profits realized by defendant through the infringement. The Court of Appeals held that this judgment was contrary to the amended statute, stating (p. 407):

"The recent provision does not use the word 'profit.' It provides recovery for nothing other than 'general damages.' What elements may be included in such damages is not stated, except that they shall be due compensation.' *The language appears to make it*

*plain that profits realized by an infringer are not recoverable as such.* ‘General damages’ is a broad term which no doubt may include numerous elements depending upon the circumstances of the case. And whether an infringer’s profits is *an element of such damages* depends upon the facts of each individual case.” (Emphasis added.)

The standard of proof for making out a case for profits “as an element of damages,” as distinguished from claiming “profits as such,” was clearly delineated by the Seventh Circuit Court of Appeals shortly after its decision in the *Ric-Wil* case. In *National Rejectors v. A-B-T Mfg. Corp.*, 188 F. 2d 706, 709-710 (7th Cir., 1951), that Court approved an award of defendant’s profits as plaintiff’s damages where the evidence conclusively established that but for the infringement all of defendant’s sales would have been made by plaintiff and that plaintiff would have made the same profit on the sales.

The Court of Appeals for this Circuit has referred with approval to the interpretation of the patent damage statute as set forth in the *Ric-Wil* case. See *Faulkner v. Gibbs*, 199 F. 2d 635, 638, ft. 5 (9th Cir., 1952). The decision in the *Faulkner* case also makes clear that the patent owner’s damages are ordinarily measured by the reasonable royalty standard unless there is an established royalty. The other basis for damages mentioned in the *Faulkner* opinion is for the patent owner’s “loss of profits resulting from the infringement.” (Opin. p. 638, ft. 7.) This, of course, is entirely consistent with the holding of the Seventh Circuit Court of Appeals in the *National Rejectors* case, wherein the defendant’s profits were awarded to plaintiff upon proof that plaintiff had actually lost an equivalent amount of profits.

Every decision since the 1946 amendment to the patent damage statute has awarded only such damages as the patent owner could prove, and the courts have uniformly refused to award defendant's profits as an element of plaintiff's damages unless the evidence clearly established that but for the infringement, defendant's profits would have been plaintiff's profits. (See Op. Br. pp. 34-37.)

The fragmentary portions of the legislative history of the 1946 amendment set out in Appendix C of Holly's brief do not support its contention that an infringer's profits can be awarded without proof that the patent owner's actual damages are measured by such profits. Certainly Mr. Lanham's offhand comments to Mr. Cole and Mr. Cravens were not intended to contradict the statements in the official House Report on the bill (quoted in full above) that the damages recoverable under the amended statute are limited to "any damages the complainant can prove; not less than a reasonable royalty, \* \* \*, rather than profits and damages." (House Report No. 1587, 79th Congress, 2nd Session.)

## APPENDIX B.

The following are the Profit and Loss Statement [Ex. "B"], Statement of Cost of Goods Sold [Schedule "1"], Schedule of Manufacturing Expense [Schedule "2"], Schedule of Selling Expenses [Schedule "3"], Schedule of Administrative Expenses [Schedule "4"], and Schedule of Engineering Expense [Schedule "5"], of Holly's Annual Audits for the calendar years 1952, 1953 and 1954, which audits are in evidence as Plaintiff's Accounting Exhibits 24, 25 and 26, respectively [R. 1312-1313; 1343].





POTENTIAL HOLLY PROFIT ON UNITS SOLD BY COLEMAN (DOMESTIC SALES ONLY)  
FROM 1952 THROUGH MARCH 11, 1957

	1952	1953	1954	1955	1956	1957 (1st 3 mos. only)	Total
Gross Profit @ Actual - Holly	\$1,072,777.00	\$ 953,059.00	\$1,160,082.00	\$1,439,655.00	\$1,188,894.00	\$ 227,054.00	
Less Selling Expense	\$ 219,412.00	\$ 245,070.00	\$ 303,397.00	\$ 348,231.00	\$ 439,339.00	\$ 136,647.00	
Sales Profit - Holly	\$ 853,365.00	\$ 709,989.00	\$ 856,685.00	\$1,091,424.00	\$ 749,555.00	\$ 90,407.00	
Units Sold - Holly	38,762	57,000	68,363	77,341	66,783	14,478	
Average Sales Profit per Unit Sold - Holly	\$ 14.52	12.46	\$ 12.50	\$ 14.11	\$ 11.22	\$ 6.24	
Domestic Unit Sales by Coleman	2,832	26,924	28,016	29,284	25,478	3,684	118,418
Profit @ Holly Rate on Coleman Sales	\$ 41,121.00	360,393.00	\$ 350,200.00	\$ 413,197.00	\$ 285,863.00	\$ 24,236.00	\$1,473,010.00

The above profit computation assumes Administrative and Engineering expenses remain fixed regardless of volume and that Sales Expense varies in proportion to volume. This is a very conservative appraisal ignoring the fact that some elements of Sales Expense are fixed. This method of computation could be further justified by the fact that fixed portions of Manufacturing costs such as Depreciation, Real Estate Taxes, Insurance, which have been ignored, more than offset variable items of Administrative and Engineering expenses. The above profit computation is based on actual Net Sales prices and the computation does not take into consideration the fact that Holly might have sold at higher prices.

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## Exhibit "B"

HOLLY MANUFACTURING COMPANY  
 PROFIT AND LOSS STATEMENT  
 FOR THE YEAR ENDED DECEMBER 31, 1952

		Percent to Sales
<b>Sales</b>		
Dealers, California	\$ 2,195,122.27	66.4
Jobbers, California	257,918.34	7.8
Jobbers, Interstate	<u>201,239.50</u>	<u>27.3</u>
	\$ 3,356,280.11	101.5
Less: Discounts allowed	<u>51,011.40</u>	<u>1.5</u>
Net Sales	\$ 3,305,268.71	100.0
<b>Cost of Goods Sold</b>		
Standard cost (Schedule #1)	\$ 2,008,957.78	60.8
Purchase variation	101,561.20	3.1
Material usage variation	4,446.65	1.4
Manufacturing cost variation	122,484.56	3.7
Finished goods inventory corrections	<u>(4,958.44)</u>	<u>(1.5)</u>
Total cost of goods sold	2,232,491.73	67.5
Gross Profit	\$ 1,072,776.96	32.5
<b>Expenses</b>		
Selling (Schedule 3)	\$ 219,412.34	6.6
Administrative (Schedule 4)	239,655.60	7.3
Engineering (Schedule 5)	<u>51,016.42</u>	<u>1.6</u>
Total Operating Expenses	<u>512,084.36</u>	<u>15.5</u>
Net Operating Profit	\$ 560,692.60	17.0
<b>Other Income</b>		
Discounts earned	\$ 8,346.35	
Interest earned	5,763.40	
Rents received	<u>140.00</u>	<u>4.4</u>
	\$ 574,942.35	17.4
<b>Other Expenses</b>		
Interest paid	\$ 81.66	
Miscellaneous	<u>16.36</u>	<u>0.5</u>
Net Profit before Taxes	\$ 574,844.13	17.4
California franchise tax	<u>21,032.71</u>	<u>3.7</u>
Provision for federal income and excess profits tax	\$ 551,751.40	16.7
	<u>342,230.01</u>	<u>10.4</u>
Net Profit after Taxes	\$ 209,521.39	6.3

HOLLY MANUFACTURING COMPANY  
STATEMENT OF COST OF GOODS SOLD  
FOR THE YEAR ENDED DECEMBER 31, 1952

Inventory of finished goods, January 1, 1952			\$ 165,803.58
Cost of goods manufactured			
Inventory, January 1, 1952			
Raw materials	\$ 196,376.61		
Work in process	<u>111,195.45</u>	\$ 307,572.06	
Purchases at standard		1,360,933.14	
Manufacturing expense			
(Schedule "2")	\$ 672,984.11		
Less: Manufacturing cost			
variation	<u>172,184.56</u>	550,499.75	
Mark-up of inventories		<u>2,686.14</u>	
		\$ 2,221,691.09	
Less: Inventories, December 31, 1952			
Raw materials	\$ 193,011.00		
Work in process	<u>125,327.00</u>	<u>318,338.00</u>	
Cost of goods manufactured			1,903,353.09
Purchases of finished goods			6,450.71
Finished goods inventory variance			4,938.03
Mark-up of finished goods			<u>2,110.66</u>
			\$ 2,082,056.07
Less: Inventory of finished goods, December 31, 1952			<u>73,098.29</u>
Cost of goods sold			<u>\$ 2,008,957.78</u>

## Schedule "2"

HOLLY MANUFACTURING COMPANY  
 SCHEDULE OF MANUFACTURING EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 1952

Supervision	\$ 77,176.05
Labor	517,001.30
Payroll taxes	18,082.78
Utilities	7,427.24
Shop supplies	10,650.97
Taxes	20,214.95
Insurance, general	1,518.72
Insurance on employees	15,409.86
Depreciation	46,113.21
Amortization of A.C.A. approval	712.34
Maintenance of motor vehicles	3,418.50
Rental of equipment	10,853.39
Subcontracted labor	1,800.96
Production supplies	4,911.90
Miscellaneous shop expense	9,813.27
Production tools	4,825.16
A.C.A. inspection	3,021.00
Repairs to machinery and equipment	9,159.62
Obsolescence	6,673.32
Perishable tools	14,117.94
Material handling	10,248.42
Janitor supplies	3,900.13
Manufacturing service	169.83
Employee relations	4,720.59
Employee recreation fund	377.65
Advertising, employment	1,204.08
Office supplies and printing	287.51
Traveling expenses	281.71
Supplies for employees	29.69
Maintenance of buildings and area	7,650.11
Maintenance of production tools	2,041.63
Maintenance of machinery and equipment	5,442.99
Maintenance of perishable tools	1,622.32
Maintenance of material handling equipment	685.31
Maintenance of service machinery	<u>2,514.32</u>
Total manufacturing expense	\$ 824,078.77
Less: Manufacturing burden relieved	<u>151,094.46</u>
Net Manufacturing Expense	<u>\$ 672,984.31</u>

HOLLY MANUFACTURING COMPANY  
SCHEDULE OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1952

Salaries	\$ 67,183.64
Service salaries	10,483.30
Manufacturer's agents' commissions	42,103.24
Travel expense	6,402.65
Payroll taxes	1,899.02
Insurance, general	76.32
Insurance on employees	1,104.74
Depreciation on motor vehicles	499.49
Car Mileage	7,540.00
Promotion	33,464.00
Printed instructions	5,364.36
Miscellaneous supplies and expense	844.20
Advertising - newspapers and magazines	23,019.04
Telephone and telegraph	8,427.23
Dues	684.80
Entertainment	4,927.03
Return Sales adjustment	34.13
Service travel expense	<u>5,355.15</u>
Total Selling Expenses	<u>\$219,412.34</u>

HOLLY MANUFACTURING COMPANY  
 SCHEDULE OF ADMINISTRATIVE EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 1952

Salaries - officers	\$ 47,675.00
Salaries - general office	66,152.28
Travel expenses	384.90
Payroll taxes	2,438.76
Taxes - general	2,290.47
Insurance - miscellaneous	464.69
Insurance on employees	787.85
Depreciation	2,819.51
Stationery, printing and office supplies	10,362.75
Maintenance of motor vehicles	4,483.01
Miscellaneous supplies and expense	2,860.83
Postage	1,666.67
Telephone and telegraph	4,325.63
Obsolescence	45.36
Professional services	5,266.61
Dues	5,684.15
Contributions	19,862.00
Entertainment	472.64
Bad debts	9,000.00
Bonus	80,474.03
Collection expense	296.77
Real estate maintenance	2,442.83
Death benefit payments	8,700.00
Employee meals	<u>236.15</u>
Total Administrative Expenses	\$ 279,192.89
Less: Administrative burden relieved	<u>39,537.29</u>
Net Administrative Expense	<u>\$ 239,655.60</u>

HOLLY MANUFACTURING COMPANY  
SCHEDULE OF ENGINEERING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1952

Salaries	\$ 52,700.75
Traveling expenses	412.52
Payroll taxes	1,261.79
Insurance on employees	471.19
Drafting supplies and expense	1,003.11
Car mileage	454.30
Miscellaneous supplies and expense	2,979.08
Professional expenses	<u>1,479.71</u>
Total engineering expense	60,762.45
Less: Engineering burden relieved	<u>7,746.03</u>
Net Engineering Expense	\$ <u>53,016.42</u>



HOLLY MANUFACTURING COMPANY  
 PROFIT AND LOSS STATEMENT  
 FOR THE YEAR ENDED DECEMBER 31, 1953

		Percent to Sales
<u>Sales</u>		
Dealers, California	\$ 2,324,243.47	71.8
Jobbers, California	296,479.13	9.2
Jobbers, Interstate	<u>667,810.62</u>	<u>20.6</u>
	\$ 3,288,533.22	101.6
Less: Discounts allowed	<u>53,602.79</u>	<u>1.6</u>
Net sales	\$ 3,234,930.43	<u>100.0</u>
<u>Cost of goods sold</u>		
Standard cost (Schedule "1")	\$ 2,013,907.22	62.2
Freight in	30,912.42	.9
Purchase variation	112,538.04	3.5
Material usage variation	9,688.33	.3
Manufacturing cost variation	109,158.62	3.4
Finished goods inventory corrections	( 1,498.94)	
Outside labor variation	<u>5,165.62</u>	<u>.2</u>
Total cost of goods sold	\$ 2,279,871.31	<u>70.5</u>
Gross profit	\$ 955,059.12	<u>29.5</u>
<u>Expenses</u>		
Selling (Schedule "3")	245,070.27	7.6
Administrative " "4")	254,748.10	7.9
Engineering(Schedule "5")	<u>65,593.27</u>	<u>2.0</u>
Total operating expenses	565,411.64	<u>17.5</u>
Net operating profit	\$ 389,647.48	12.0
<u>Other income and expense</u>		
Discounts earned	10,683.84	
Interest earned	6,883.46	
Rents received	150.00	
Holly-Coleman joint venture	42,299.67	
Miscellaneous	<u>7.13</u>	
	\$ 60,024.10	
Interest paid	( <u>2,444.02</u> )	<u>57,580.08</u>
Net profit before taxes	\$ 447,227.56	13.8
California franchise tax	* 22,993.77	<u>.7</u>
	\$ 424,233.79	13.1
Provision for Federal income and excess profits tax	<u>229,112.39</u>	<u>7.1</u>
Net profit after taxes	\$ 195,121.40	<u>6.0</u>

HOLLY MANUFACTURING COMPANY  
STATEMENT OF COST OF GOODS SOLD  
FOR THE YEAR ENDED DECEMBER 31, 1953

Inventory of finished goods, January 1, 1953		\$ 73,098.
Cost of Goods Manufactured		
Inventory, January 1, 1953		
Raw Materials	\$193,011.00	
Work in process	<u>125,327.00</u>	\$ 318,338.00
Purchases at standard		1,861,810.76
Manufacturing expense (Schedule "2")	\$829,954.66	
Less: Manufacturing cost variation	(109,327.80)	
Adjustments to standard and physical inventory	( <u>2,434.03</u> )	<u>718,192.83</u>
		2,898,341.59
Less: Inventories, December 31, 1953		
Raw Materials	\$339,828.22	
Work in process	<u>91,888.80</u>	<u>431,717.02</u>
Cost of goods manu- factured		2,466,624.57
Purchases of finished goods		1,785.31
Finished goods inventory variance		1,498.71
Mark up of finished goods		414.31
Merchandise given away		( <u>378.11</u> )
		\$ 2,543,043.79
Less inventory of finished goods, December 31, 1953		<u>529,135.31</u>
Cost of goods sold		<u>\$ 2,013,907.22</u>

HOLLY MANUFACTURING COMPANY  
 MANUFACTURING EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 1953

Supervision	\$ 100,676.13
Labor	675,178.06
Payroll taxes	15,843.88
Utilities	13,850.28
Shop supplies	7,456.65
Taxes	25,019.71
Insurance, general	2,553.83
Insurance on employees	21,664.95
Depreciation	56,433.06
Amortization of A. C. A. approval	492.08
Maintenance of motor vehicles	2,711.96
Rental of equipment	11,036.04
Subcontracted labor	664.32
Production supplies	13,422.74
Miscellaneous shop expense	1,131.56
Production tools	6,538.75
Obsolescence	11,487.82
Perishable tools	13,588.43
Material handling	13,951.67
Janitor supplies	2,420.05
Manufacturing service	412.35
Employee relations	4,297.28
Employee recreation fund	1,170.59
Advertising, employment	2,580.64
Office supplies and printing	1,228.80
Traveling expenses	777.32
Supplies for employees	( 29.39 )
Maintenance of buildings and area	10,669.42
Maintenance of production tools	5,136.01
Maintenance of machinery and equipment	12,510.17
Maintenance of perishable tools	5,757.67
Maintenance of material handling equipment	1,509.59
Maintenance of service machinery	12,317.18
Rent	<u>3,424.40</u>
Total manufacturing expense	\$1,057,884.00
Less: Manufacturing burden relieved	<u>227,929.34</u>
Net manufacturing expense	<u>\$ 829,954.66</u>

## Schedule "3"

HOLLY MANUFACTURING COMPANY  
 SELLING EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 1953

Salaries	\$ 80,364.57
Service salaries	11,336.15
Manufacturer's agents' commissions	36,141.31
Travel expense	6,666.04
Payroll taxes	1,440.96
Insurance, general	449.32
Insurance on employees	1,239.11
Depreciation on motor vehicles	1,072.32
Car mileage	8,882.03
Printed instructions	3,781.90
Miscellaneous supplies and expense	1,200.90
Telephone and telegraph	8,730.35
Dues	1,142.90
Entertainment	5,335.19
Return sales adjustment	2,678.88
Service travel expense	2,908.47
Promotion - literature and postage	13,832.32
Promotion - contests, shows and conventions	7,307.66
Promotion - visitors to plant	1,217.27
Promotion - displays and miscellaneous	6,149.88
Advertising - direct	21,748.63
Advertising - cooperative	12,141.97
Advertising - telephone listing	6,052.24
	<u>\$ 245,070.27</u>

## Schedule "4"

HOLLY MANUFACTURING COMPANY  
ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1953

Salaries - officers	\$ 50,040.00
Salaries - general office	114,979.18
Travel expenses	94.82
Payroll taxes	2,546.95
Licenses	573.50
Taxes - general	2,794.18
Insurance - miscellaneous	2,883.02
Insurance on employees	1,516.11
Depreciation	6,333.87
Stationery, printing and office supplies	9,892.83
Maintenance of motor vehicles	2,928.78
Miscellaneous supplies and expense	2,610.08
Postage	2,168.03
Telephone and telegraph	4,727.92
Obsolescence	184.95
Professional services	18,290.21
Dues	5,421.34
Contributions	3,437.36
Entertainment	275.91
Bad debts	9,000.00
Bonuses	64,741.42
Collection expense	1,150.05
Real estate maintenance	12,243.47
Employer meals	<u>520.38</u>
Total administrative expenses	\$ 318,829.36
Less: Administrative burden relieved	<u>64,080.26</u>
Net administrative expense	\$ <u>254,749.10</u>

HOLLY MANUFACTURING COMPANY  
ENGINEERING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1953

Salaries	\$ 73,505.38
Traveling expenses	439.08
Payroll taxes	1,032.89
Insurance on employees	945.50
Drafting supplies and expense	1,517.45
Car mileage	314.13
Miscellaneous supplies and expense	3,051.11
Professional expenses	278.00
A. C. A. inspection	<u>2,391.95</u>
Total engineering expense	\$ 83,475.79
Less: Engineering burden relieved	<u>17,882.52</u>
Net engineering expense	\$ <u>65,593.27</u>

HOLLY MANUFACTURING COMPANY  
 PROFIT AND LOSS STATEMENT  
 FOR THE YEAR ENDED DECEMBER 31, 1954

	<u>Gross</u>	<u>Returns Rebate and Allowances</u>	<u>Net</u>
<b>Sales</b>			
Dealers, California	\$ 3,020,189.52	\$ 123,793.93	\$ 2,896,395.59
Jobbers, California	225,080.57	22,608.43	202,472.14
Jobbers, Interstate	<u>611,683.65</u>	<u>89,729.44</u>	<u>521,954.21</u>
	\$ <u>3,856,953.74</u>	\$ <u>236,131.80</u>	\$ <u>3,620,821.94</u>
Less: Discounts allowed			<u>52,765.97</u>
Net sales			\$ 3,568,055.97
<b>Cost of Goods Sold</b>			
Standard cost (Schedule "1")			\$ 2,205,419.45
Freight in			32,715.65
Purchase variation			256.36
Material usage variation			3,008.31
Manufacturing cost variation			131,466.31
Finished goods inventory corrections			170.74
Outside labor variation			129.93
Returned material variance			5,379.36
Inventory shrinkage			15,922.27
Product liability			2,059.78
Freight out			<u>11,445.68</u>
Total cost of goods sold			<u>2,407,973.84</u>
Gross profit			\$ 1,160,082.13
<b>Expenses</b>			
Selling (Schedule "3")		\$ 305,396.60	
Administrative (Schedule "4")		288,757.18	
Engineering (Schedule "5")		<u>146,483.59</u>	
Total operating expenses			<u>740,637.37</u>
Net operating profit			\$ 419,444.76
<b>Other Income and Expense</b>			
Discounts earned		\$ 8,833.90	
Interest earned		303.56	
Dividends earned		8.75	
Rents received		120.00	
Holly-Coleman joint venture		34,181.11	
Miscellaneous income		<u>451.76</u>	
		\$ 43,899.08	
Interest paid		( 4,634.80)	
Adjustment expense		( 160,000.00)	( 120,735.72)
Net profit before taxes			\$ 298,709.04
California Franchise tax			<u>17,889.10</u>
Provision for Federal income tax			\$ 280,819.94
Net profit after taxes			<u>140,522.50</u>
			\$ <u>140,297.44</u>

HOLLY MANUFACTURING COMPANY  
 STATEMENT OF COST OF GOODS SOLD  
 FOR THE YEAR ENDED DECEMBER 31, 1954

Inventory of finished goods, January 1, 1954		\$ 529,135.93
Cost of Goods Manufactured		
Inventory, January 1, 1954		
Raw materials	\$ 339,828.22	
Work in process	<u>91,888.80</u>	\$ 431,717.02
Purchases at standard		1,740,804.82
Manufacturing expense (Schedule "2")		724,403.10
Less: Manufacturing cost variation		( 134,562.35)
Adjustments to standard and physical inventory		( 16,022.27)
Used for displays and advertising		( 840.47)
Material scrapped		( <u>3,033.88</u> )
		\$ 2,742,465.97
Less: Inventories, December 31, 1954		
Raw materials	\$ 351,566.10	
Work in process	113,793.75	
Returned material	2,067.02	
Merchandise in transit	<u>22,386.62</u>	<u>487,813.49</u>
Cost of goods manufactured		2,252,652.48
Purchases of finished goods		1,628.48
Finished goods inventory variance		( <u>170.74</u> )
		\$ 2,783,246.15
Less: Inventory of finished goods, December 31, 1954		<u>577,826.70</u>
Cost of goods sold		\$ <u>2,205,413.45</u>



HOLLY MANUFACTURING COMPANY  
MANUFACTURING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1954

Supervision	\$ 91,506.10
Labor	445,992.65
Payroll taxes	13,054.62
Utilities	14,482.81
Shop supplies	4,831.30
Taxes	33,584.46
Insurance, general	3,337.02
Insurance on employees	19,243.55
Depreciation	61,658.88
Rent	15,188.55
Maintenance of motor vehicles	2,375.68
Rental of equipment	10,943.77
Production supplies	10,291.10
Miscellaneous shop expense	377.76
Obsolescence	957.98
Perishable tools	12,121.05
Material handling	9,602.30
Janitor supplies	2,165.25
Employee relations	3,491.00
Employee recreation fund	2,192.66
Advertising, employment	673.50
Office supplies and printing	1,256.87
Traveling expenses	513.75
Supplies for employees	( 40.73)
Maintenance of buildings and area	2,932.30
Maintenance of machinery and equipment	8,127.35
Maintenance of perishable tools	2,760.20
Maintenance of material handling equipment	1,875.24
Maintenance of service machinery	4,726.24
Manufacturing aids	<u>50.90</u>
Total manufacturing expense	\$ 780,274.11
Less: Manufacturing burden relieved	<u>55,871.01</u>
Net manufacturing expense	\$ <u>724,403.10</u>

HOLLY MANUFACTURING COMPANY  
SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1954

Salaries	\$ 127,360.69
Service salaries and wages	3,957.02
Manufacturer's agents' commissions	23,742.48
Travel expense	18,186.54
Payroll taxes	2,324.00
Insurance, general	448.16
Insurance on employees	2,662.91
Depreciation on motor vehicles	1,359.90
Car mileage	12,987.66
Transportation expense, other	5,512.27
Printed instructions	267.50
Miscellaneous supplies and expense	1,584.69
Telephone and telegraph	11,220.26
Dues	1,221.09
Entertainment	2,178.52
Return sales adjustment	14.70
Service travel expense	73.41
Promotion - literature and postage	18,578.09
Promotion - contests, shows and conventions	6,559.11
Promotion - visitors to plant	2,320.19
Promotion - campaign	3,271.82
Promotion - displays and miscellaneous	8,798.12
Advertising - direct	32,438.57
Advertising - cooperative	9,707.82
Advertising - telephone listing	8,621.08
Total selling expenses	\$ <u>305,396.60</u>

HOLLY MANUFACTURING COMPANY  
 ADMINISTRATIVE EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 1954

Salaries - officers	\$ 54,840.00
Salaries - general office	101,403.14
Travel expenses	1,202.95
Payroll taxes	2,687.31
Licenses	221.24
Taxes, general	3,740.71
Insurance, miscellaneous	3,867.49
Insurance of employees	2,473.69
Depreciation	7,542.38
Stationery, printing and office supplies	8,651.84
Maintenance of motor vehicles	4,951.04
Miscellaneous supplies and expense	2,818.50
Postage	2,467.12
Telephone and telegraph	5,420.02
Professional services	31,144.26
Dues	5,699.70
Contributions	3,611.05
Entertainment	242.56
Bad debts	6,750.00
Bonuses	66,419.77
Collection expense	869.41
Real estate maintenance	530.47
Employee meals	<u>284.17</u>
Total administrative expenses	\$ 317,838.82
Less: Administrative burden relieved	<u>29,081.64</u>
Net administrative expense	\$ <u>288,757.18</u>

HOLLY MANUFACTURING COMPANY  
ENGINEERING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1954

Salaries	\$ 114,249.45
Traveling expenses	185.57
Payroll taxes	2,430.72
Insurance on employees	2,812.92
Drafting supplies and expense	1,091.00
Car mileage	581.23
Miscellaneous supplies and expense	2,580.44
Professional expenses	1,288.25
A. G. A. inspection	6,656.50
Tools and tooling equipment	17,592.92
Tooling maintenance and materials	<u>5,145.80</u>
Total engineering expense	\$ 154,615.60
Less: Engineering burden relieved	<u>8,132.01</u>
Net engineering expense	\$ <u>146,483.59</u>

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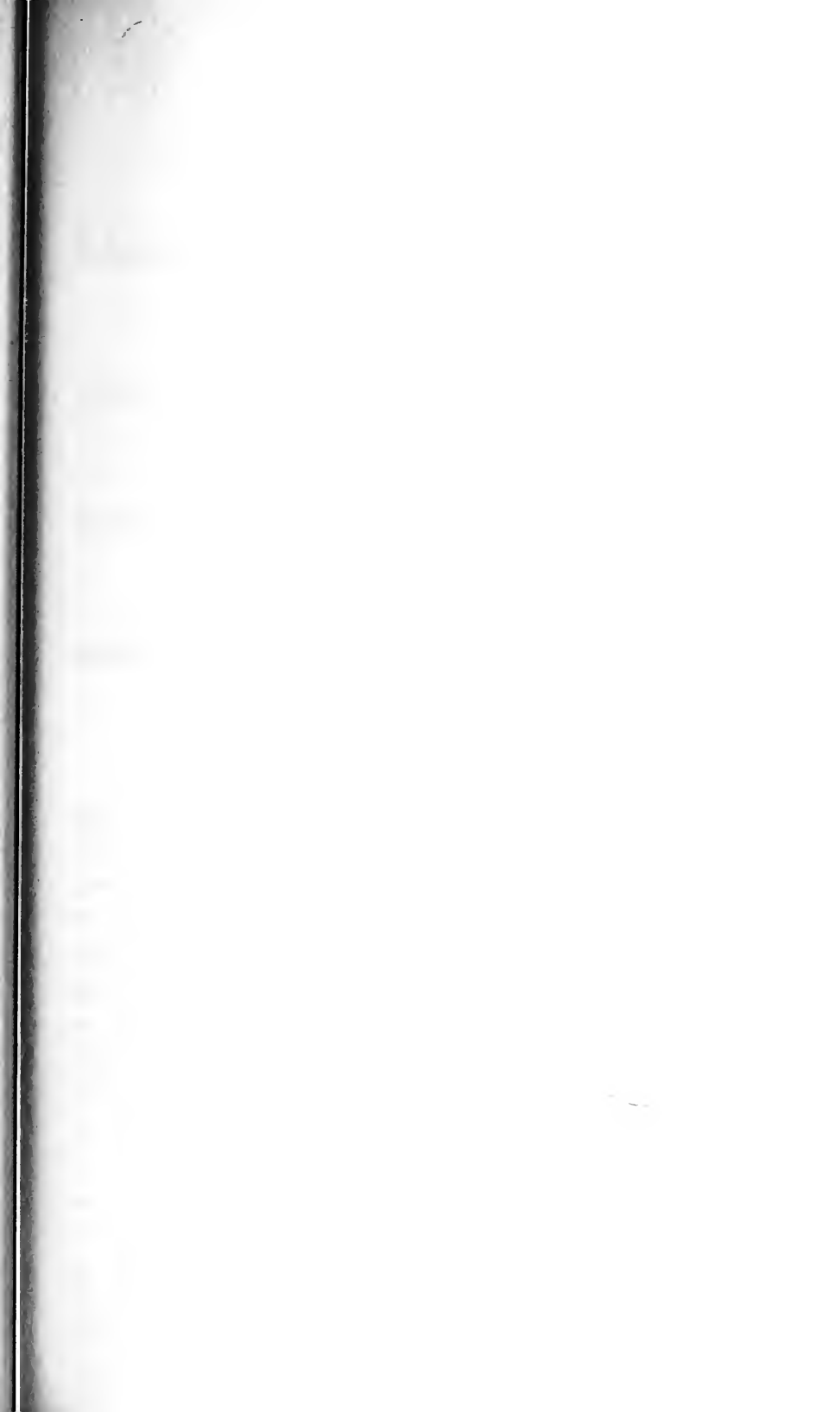
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No. 16141  
IN THE  
**United States Court of Appeals**  
FOR THE NINTH CIRCUIT

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THE COLEMAN COMPANY, INC., a corporation,  
*Appellant,*

*vs.*

HOLLY MANUFACTURING COMPANY, a corporation,  
*Appellee.*

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**REPLY BRIEF OF DEFENDANT-APPELLANT  
THE COLEMAN COMPANY, INC.**

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A comparison of the topical indices of Coleman's opening brief and Holly's brief will reveal that instead of attempting a straightforward reply to Coleman's contentions (seriatum or otherwise), Holly's brief is largely devoted to a shotgun presentation of its own contentions and accusations. Coleman's reply is further burdened by the fact that Holly now denies, in this Court, matters which it did not and could not deny in the court below. For these reasons, it has been necessary to expand the usual scope of a reply brief and to spell out from the record previously undenied facts. At the same time, it is utterly impossible, even within the liberal enlargement accorded us by this Court, to cover all of the numerous contentions advanced in Holly's brief. Instead, we have been forced to select Holly's principal arguments—those which should prove determinative of this appeal—and to confine this brief to a refutation thereof.

One further introductory note is in order. All Holly need do to sustain the judgment below is to direct attention, when it can, to evidence which supports it. It does not do so by denunciation of Coleman and its counsel. Coleman has not repeatedly changed counsel as Holly irrelevantly charges. Save for the employment of special Washington, D. C. counsel to assist in the former certiorari proceedings, there has been but a single change in counsel, occurring when the undersigned were substituted for Messrs. Lyon and Lyon. Mr. Tilton is a partner of Mr. Dawson's in the firm which was Coleman's patent counsel for many years before this litigation, and still is. The firm of Foulton, Siefkin, Schoeppel, Bartlett & Powers has been Coleman's general counsel since its incorporation, and still is. Coleman appears in this Court in the firm belief that it is the victim of a miscarriage of justice, and stands upon the record as to whether it has grounds for relief here or whether it is, as Holly maintains, pursuing a frivolous appeal to vex and delay.

#### **SUMMARY OF HOLLY'S CHIEF ARGUMENTS, AND REPLY THERETO.**

##### **1. Claim That Coleman Seeks to "Retry the Whole Case."**

Coleman has conceded as clearly as possible that it is not entitled to a readjudication of the issue of infringement (Op. Br. pp. 2, 10). But after that adjudication three new issues arose, not previously before any court, and now presented by this appeal: (1) did Coleman's *modified* heater infringe so that Coleman was in contempt, (2) what damage did Holly suffer or to what royalty was it entitled, and (3) did Coleman act in bad faith? On the trial of each, the question of what Coleman did, other than to infringe, was necessarily triable and to be

decided. In the process, factual errors in the original evidence could not be concealed but had to be considered, not to undo the adjudication which had been made but to decide the new questions before the Court.

## 2. Holly's Denial That Its Original Evidence Was Proved to Have Been Mistaken.

It was a proved and uncontested fact at the contempt and accounting trials that Holly's original evidence that Coleman's economizers used from 23% to 57½% of infringing air was grossly erroneous (Op. Br. p. 9 *et seq.*; p. 47 *et seq.*). Holly's present and belated denial of this revelation, which denial was not made in the Trial Court, is made either because the writer of Holly's brief, being an attorney who was not present when the truth was shown, has misread the record, or because Holly must by some means persuade this Court to overlook it. *Holly must do this because the evidence it originally introduced as to the functioning of Coleman's heater is all the evidence it ever introduced on that subject.* After the overlooked air passage was revealed it was no longer possible for Holly to show that Coleman utilized any appreciable quantity of infringing air, and Holly must stand or fall on the evidence it had already given before Coleman exposed the error. Thereafter Coleman's heater could no longer be made to yield the kind of data by which Holly originally prevailed.

Because of the baseless denial now made, it is necessary to spell out the facts from the record, with reference also to the different kind of response Holly made in the Trial Court when the truth was shown.

As previously quoted (Op. Br. pp. 47-50) Holly's original evidence, given by Mr. Landsberg, assumed that there were only two sources of economizer air, one in-

fringing and the other non-infringing. By deducting the latter from the total, he thought he had found the volume of infringing air. If there was another source of non-infringing air, overlooked, Landsberg's conclusion was inevitably invalidated, as he admitted—not in the qualified sense suggested by Holly's partial and misleading quotation (Br. p. 22), *but absolutely*.<sup>1</sup>

There was such an overlooked source. Holly admits that it was referred to as "brown" air (Br. p. 81).<sup>2</sup> The "brown" air traveled *inside* the lower box [R. 503] and was therefore non-infringing. The volume of that air which reached the economizer was visually demonstrated under circumstances precluding Holly's now attempted denial. Before the demonstration was made by means of smoke wands applied by Alwin Newton, a Coleman vice-president, the Court announced that if Newton said he saw something which was disputed, the dispute should be noted.<sup>3</sup>

Holly's technical advisor and inventor, Mr. Hollingsworth, was present and made numerous comments as the

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<sup>1</sup>In the very next question and answer following Holly's partial quotation, Landsberg admitted that his conclusion would be completely nullified by the existence of another, overlooked air passage, and that he would not be able to tell at all where the air came from [R. 558-559; Op. Br. 49-50]

<sup>2</sup>Holly there says that it was "brown" and "green" air, but Coleman has never relied upon the "green".

<sup>3</sup>"The Court: If Mr. Newton says he sees something that you gentlemen dispute his seeing, or at least you don't see it, you may so indicate on the record at the time.

"Mr. Stanbury: Fine. I would appreciate that.

"Mr. Christie [representing Holly]: Since Mr. Hollingsworth is probably more familiar than the rest of us, would it be all right if Mr. Hollingsworth interjects a comment as we go along if he sees anything that he differs with?

"Mr. Stanbury: I certainly don't object. I wish he would." [R. 599-600].

smoke was emitted from the economizer, first with the modifying chute installed and thereafter without it.

With the chute installed, Newton described the volume of "brown," non-infringing, air as being between *three and four* times as great as that of the "pink," infringing, air [R. 605, 603-605]. This was as the Court watched, and Hollingsworth made no comment. This large volume of non-infringing air was erroneously included in the Landsberg computation of *infringing* air because he did not know of the passage.<sup>4</sup>

Without the chute, and thus with the heater in its original, unmodified condition, there was *at least as much* air passing into the economizer through this non-infringing "brown" passage as through the infringing "pink" passage [R. 631-633]. Thus at least as much non-infringing as infringing air had erroneously been included in Landsberg's original and basic computations, as appears below: with the smoke in the "brown" channel, Newton claimed that there was more air passing through it than through the "pink," but Hollingsworth disagreed, stating that he would not agree that the "brown" was *more* than the "pink." The demonstration was repeated. Then:

The Court: What is your comment, Mr. Hollingsworth?

Mr. Hollingsworth: I see no visible difference between the amount of smoke emitting now [smoke in "pink" area] as compared with the last run with the wand in the brown area [R. 634].

This admission that the volume of "brown" air was equal to the volume of "pink" air, and the prior admission

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<sup>4</sup>R. 31-33, affidavit on contempt hearing, in which he says he made same test as previously.

by silence that with the chute installed the volume of the "brown" air exceeded the "pink" by three or four times, are in strange contrast with Holly's present attempt to deny that there had been any error or oversight at all.

It is also significant to note what Holly said about these demonstrations *while Holly was still before the Trial Court*. The very next morning Mr. Christie argued in its behalf [R. 698 *et seq.*]. There was no denial, then, that the "brown" air passage had been overlooked. His comment was only that there could not be much importance to the passage because Coleman had not mentioned it before, either at the trial or on motion for new trial [R. 707-709].

But Holly's oversight, with or without Coleman's failure to demonstrate it, does not alter the physical fact that the air passage does exist and that it thus upsets Holly's earlier calculations. Nor can this physical fact be affected by the fact that, as argued in Holly's brief (22), Mr. Kice, representing Coleman at the original trial, stated there was no passage corresponding with the "brown." A new issue, never previously before the court, was being tried at the time this disclosure of the truth occurred: Did Coleman's *modified* device infringe?

Following Mr. Christie's argument, counsel for Coleman argued and characterized the demonstration as having been completely destructive of the Landsberg data, summarizing the latter as "absolutely farcical" [R. 748-749]. Although Mr. Christie replied immediately, *he did not attempt to refute Coleman's contention*; in fact, he made no reference whatever to the Landsberg testimony [R. 760 *et seq.*].

In argument of an objection by Holly to the receipt of evidence at the accounting trial before the Special

Master, as to the contribution, if any, of Holly's air to the Coleman heater, Coleman's counsel said

" . . . the original decision was based upon data which is now known to be sadly erroneous, and, according to undisputed testimony—if *there is any contradiction the plaintiff can introduce it*, but up to now it hasn't been introduced at all—it was on data that was mistaken because the inside source of non-infringing air was overlooked by both sides, and the formula used by Mr. Landsberg included non-infringing air with the infringing air" [R. 1506].

No such evidence was offered by plaintiff, and in the final argument before the Special Master Mr. Hoegh, then arguing for Holly, passed over the matter lightly with the comment that "if there were any errors that could have crept into that" (the original) "proceeding, I am sure that Mr. Newton would have caught them at that time" [R. 1847]. (But Mr. Newton did not participate in the original trial).

Nowhere in any of Holly's written or oral argument in the Trial Court was there any suggestion of the type of denial which Holly now makes in the evident belief that the relative remoteness of an appellate court, and the indirectness of a printed record, gives it immunity or will make it difficult for Coleman to show the truth.

Holly now repeatedly asserts that the Trial Court saw the demonstration and disregarded it. The opposite is true. Although every other finding of fact was adverse to Coleman, this one was not. Whereas the Court had previously found that from 23% *upward* of the air in the economizers was *infringing* air, it concluded after receiving visual evidence to the contrary that 20% of the air was a *combination of "brown, green and pink" air*, and

that the question was what *part* of this mere “*one-fifth*” of the economizer’s air was infringing [R. 734, 766].

The record fortunately enables us to go much further than this. In final refutation of Holly’s baseless denial that its previous evidence was shown to be erroneous, and of its false and inconsistent claim that after witnessing the demonstration of the error the Trial Court dismissed it from consideration, the truth is that the following occurred:

Coleman’s counsel: There is absolutely no evidence in this record as to how much pink air or infringing air there is in the economizer except that it does not exceed three per cent.

The Court: *I guessed six.*

Mr. Stanbury: You guessed six. That’s remarkably close, Your Honor. At the time the court guessed six I couldn’t figure out where that six came from. But its remarkably close for an offhand calculation because data was not in Mr. Landsberg’s testimony [R. 1865].

*Contrast this with Holly’s present position.* When it was before the Trial Court, which had itself witnessed the expose which Holly now denies ever occurred, it did not deny that it had occurred. Nor did it pretend, as it now does, that the Trial Court had seen and dismissed Coleman’s demonstration as of no consequence. In the argument made by Holly’s counsel *immediately following* the foregoing significant comment of the Trial Court [argument commencing at R. 1996] there was no denial or dispute of what had happened, since the Trial Court, unlike this one, had seen what had happened.

Also, Holly argues *here* that after the disclosure of the previously overlooked passage Landsberg made more tests allegedly still showing that an important volume of in-



fringing air was utilized. This claim, also disproved by the record, is discussed in the following section. But relevant here is the fact that in making later tests Landsberg taped shut the "brown" passage.<sup>5</sup> If, as Holly belatedly claims, there was no such passage, *how did Landsberg close it?* If there remains in the mind of this Court any question that Holly may be correct in now denying the existence of this air passage, which all of its data overlooks, it can easily be demonstrated for the Court's own observation.

Lastly, Holly repeatedly attempts to make it appear that the new evidence was old evidence and that the Trial Court had considered and rejected it when it found infringement (Br. pp. 24,<sup>6</sup> 25, 78, 90-91, 98). Newton is misleadingly quoted as referring to an old record when he testified as to the percentage of air, and Coleman's counsel is quoted as stating that "this is not new evidence" (Br. 25), when it was perfectly clear that reference was made to, and only as far back as, the contempt trial and not to the original trial. Needless to state, Holly's counsel did not tell the Trial Court, which had seen it, that the new evidence was old.

### 3. Claim That Landsberg's New Tests, Made After He Discovered the Previously Overlooked Air Passage, Also Showed a Substantial Use of Infringing Air.

Holly now argues that after Landsberg's attention was called to the previously overlooked passage he made more tests showing substantially the same results over again.

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<sup>5</sup>R. 647, referring to the "brown" area as the "scoop".

<sup>6</sup>Where Holly says "the same unreliable smoke tests were presented at the original trial. . . ." No tests showing the passage of air through the "brown" area were ever shown prior to the contempt hearing.

No such argument was ever made in the Trial Court because it was there conceded that the method Landsberg used invalidated his results. What Mr. Landsberg did was to tape off the "brown" air passage (non-infringing air) while measuring the air flow in the others. But admittedly (below) this cannot be done without disturbing the air flows in the heater, causing the air, or some of it, which would normally ascend the occluded passage to go up one of the others through increased velocity. Hollingsworth himself admitted this, although stating that not *all* of the air would find another passage:

Mr. Stanbury: But when you cut off one source, such as what goes through the scoop, that quantity is coming from somewhere else and made up either in velocity or volume or both, isn't it? It is going to come from somewhere else to supply what used to come from the scoop?

Mr. Hollingsworth: That is true, but it will not be in direct proportion to the amount that came through the scoop in the first place.

Mr. Stanbury: You say it would not be?

Mr. Hollingsworth: No. sir.

Mr. Stanbury: It might be more or less?

Mr. Hollingsworth: It would always be less. [R. 674].

This was clear to the Trial Court, which volunteered comment to the same effect:

The Court: You close off two of the three, or one of the three, and *I would be very surprised if most of what ordinarily goes through the three wouldn't travel up the two*—It probably means that 5/6 of the brown area that normally would follow the brown course went up the pink and green course. [R. 752, 753].

Even Landsberg admitted that his new tests had not segregated *infringing* from *non-infringing* air:

Mr. Stanbury: In other words, Mr. Landsberg, the test that we have witnessed this morning<sup>7</sup> is on exactly the same principle as the tests you made prior to 3:00 o'clock yesterday afternoon?<sup>8</sup>

Mr. Landsberg: Yes, sir.

Mr. Stanbury: You have not segregated the brown from the green or the green from the pink or the pink from the brown?

Mr. Landsberg: Right. [R. 684].

Landsberg's own data showed the result of upsetting the air current. When he taped shut the "brown" passage, the "pink" and "green" gave him a reading of 14.4% [R. 648-649, referring to the "brown" as the "scoop area"]. But when he left the "brown" passage open he got only 15.6% from all *three* passages, a differential of only 1.2% to be attributed to the "brown" [R. 649-650]. Contrast this with the 6% attributed by the Court to the "brown" [R. 766] and relied on in Holly's brief (85).

(There is no basis in the record for the Court's apparent computation of 6% for the brown air. It could have been premised in whole or in part upon Landsberg's later tests, for 6% is the difference between Landsberg's 14.4% for the pink and green (above) and 20%; but it is not known whence the 20% base was derived since Landsberg's total for the three passages was 15.6% (above), not 20%. But we are not assuming that the Court, after commenting upon the fact that sealing off one passage, as Landsberg did, would cause the air to seek one of the other passages,

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<sup>7</sup>The new tests.

<sup>8</sup>The old tests, now undeniably worthless.

nevertheless accepted Landsberg's conclusions as the basis of any computation. Apparently what the Court meant to say was that the "*pink*" infringing air, not the "*brown*," was 6%, for that is what the Court later said that it had concluded [R. 1865]. It is immaterial which, since either is entirely inconsistent with Holly's deceptive claim that the Court considered and *rejected* the evidence showing that the prior, radically different, calculations were wrong.)

Landsberg did not make any tests, after learning of the "*brown*" air source and thus of the true function of the heater, in which he made any allowance for the overlooked passage so as to compute the quantity of infringing air in the economizers. The truth is that thereafter Holly found it impossible to show that a significant quantity of such air existed, and necessarily chose instead to rely upon its original data, pretending in the Trial Court, ostrich like, that the overlooked passage was unimportant merely because it had once been overlooked, and here, that no such disclosure was ever made.

#### 4. Claim That Coleman Acted in Bad Faith.

Following, in the same numerical order, are the items Holly relies on to show bad faith (Br. pp. 87-97), set forth here as quick proof that there was no bad faith:

1. That Coleman "deliberately copied the Holly heater." In support, Holly merely cites the opinion of this Court delivered on the prior appeal when the issue of bad faith was not before it. Now that the issue has been tried, it is known that Coleman, through Olds, found it imperative to avoid Holly's principle, and could not understand how such a heater could have received A. G. A. approval, a mystery still unsolved so far as Coleman is concerned (Op. Br. p. 54). The Patent Office considered

Coleman's heater to be an original invention and granted a patent thereon (Op. Br. p. 65). Actually, this contention is duplicative of Holly's fourth "*res judicata*" assertion which is covered in (4), below.

2. That Coleman's president told Olds to go ahead, and he would take care of the matter of infringement. Giving full credit to this testimony by the discredited witness Olds, it shows no intent to infringe. Olds' contemporaneous writings showed his conviction, firmly held and manifestly expressed by him to Coleman's president before the product was sold, that there was no infringement (Op. Br. p. 54), and Coleman and perforce its president were also so advised by patent counsel (Op. Br. p. 62).

3. That Coleman applied to Holly for license, was refused, but nevertheless proceeded, thus evidencing an opinion that it infringed. At that very time Olds wrote his opinion that Coleman's heaters "definitely did not infringe," but in the same writing referred to a possible royalty respecting Holly upon the ground that Coleman "would rather support patents than attempt to destroy them" (Op. Br. p. 58). Also, since Holly's counsel had already threatened suit, a license would have avoided the expense of litigation.

4. That it is *res judicata* that Coleman's infringement was "willful, intentional and deliberate"—an assertion made throughout Holly's brief (pp. 1, 9, 11, 17, 39, 88, 98). But this is an assumption based by Holly upon a statement in this Court's opinion, when the question of good or bad faith was not involved, and which, in turn, was a quotation from the trial court's original decision, rendered when it did not have that issue before it. Note, in this connection, that the Trial Court itself acknowl-

edged, even after the contempt trial and at the very end of the proceedings below, that it had not yet passed upon the good faith issue [R. 1939]. Also, when the Trial Court made its findings it did not purport to base it on any prior decision. See, too, the extended discussion between the Court and Holly's counsel regarding Holly's request for attorney's fees, occurring just before final submission of the proceedings below [R. 1996-2002], where the judge plainly stated that under the "drive-in theater case" he would be forced to deny Holly's request unless and until he was able to, and did, brand Coleman guilty of bad faith. [*e. g.* R. 1997, 2002]. And observe that even then—during the final arguments following the Special Master's Report—Holly's counsel was attempting to *demonstrate* bad faith, without suggesting that this question was already *res judicata*.

At all events, in our opening brief we demonstrated and buttressed with the citation of abundant authority the fact that nothing is *res judicata*, or becomes the law of the case, unless the same issue has previously been decided, and that the good faith issue was nor presented to or decided by the Trial Court (or, *a fortiori*, by this appellate court) prior to the accounting trial below.

Holly avoids any attempt to refute or meet this point in its brief. It merely cites *Bristol Laboratories v. Schenley Laboratories*, 117 Fed. Supp. 67, S. D. Ind.; but that case never mentioned or even involved the question of *res judicata*. In fact, the opinion there merely found the patent valid and infringed, ". . . the question of such intentional willful and deliberate infringement being reserved for further consideration by the Court in connection with an accounting to be had in this matter" (117 Fed. Supp. at p. 81). For the reasons stated in our opening

brief (pp. 67-70) it is submitted that there is no shred of merit to Holly's constantly repeated assumption of *res judicata*.

5. That Coleman or Dawson was careless. There was no negligence: Olds knew exactly what he was doing, found Holly air ruinous to the heater, and was convinced there was no infringement (Op. Br. p. 54).<sup>9</sup> Dawson undeniably assumed there would be an inconsequential air leakage (Op. Br. pp. 62-63). The only negligence was Kice's at the original trial when he failed to expose Holly's error, and Kice was replaced. (It is of interest that Holly, which produced the erroneous evidence that Kice failed to expose, assumes no responsibility, but suggests that it was Kice who "misled the court" (Br. p. 80).)

6. That after formal notice, Coleman represented that it would change its heater without doing so. Coleman did change its heater, and its patent counsel advised Holly that in his opinion there was then no infringement (Op. Br. pp. 62-63).

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<sup>9</sup>This conviction was based on an examination of the Patent Office records (Op. Br. pp. 52-54). Holly (Br. 30) makes a *pro forma* denial without documentation that Coleman's interpretation of these records was incorrect. However, the testimony of Coleman's expert witness on this matter is uncontradicted [R. 1772-1778]. In the first Hollingsworth application, where only one (Claim 10) of the original ten claims mentioned the feature of supplying lower wall space air to the secondary heater, the claims were rejected over the prior art [Trial Ex. A, pp. 8-10, 13-14]. In the second Hollingsworth application, two of the claims (Claims 3 and 4) specified this feature [Trial Ex. B, pp. 14-15]. The Patent Office Examiner then again rejected all the claims, but stated: "A claim clearly defining the structure to which claims 3 and 4 are directed will be favorably considered" [Trial Ex. B, pp. 28, 27-28]. Thereupon Holly cancelled all claims and presented the claims contained in the issued patent, *each of which* specifies that the secondary heater (economizer) has "an inlet opening adjacent to the bottom thereof to receive air flowing upward outside the first box and inside of the wall." [Trial Ex. B, pp. 30-32].

7. That Coleman improperly installed heaters for *inter partes* tests at Wichita in connection with the original trial. This contention is too irrelevant to the bad faith infringement issue to warrant a reply.

8. That Coleman has been “stubbornly litigious” and has burdened Holly with “protracted, vexatious, and expensive litigation.” Having the record of this case before it, this Court is well able to judge the untenability of this assertion.

9. That Coleman withheld records relevant to the accounting. But Coleman’s records were called for and produced before the Special Master, who expressly found that the parties had been “very cooperative” and that Coleman had allowed Holly to examine its books except parts which were “confidential in nature and not necessary for the fixing of damages” [R. 54]. Holly made no such claim below. Also: that Coleman failed to keep separate records of the “profits made from the infringement.” This is a unique and newly advanced basis for punitive damages! Coleman’s normal business records were produced.

10. That Coleman sought to retry the infringement issue at the accounting trial. As noted above, this is not true, and no evidence not considered material by the Special Master was received at that trial.

11. That in the argument before the Special Master and the Trial Court, Coleman’s counsel represented old evidence as being new evidence (Br. p. 90). At another point Holly says that the evidence referred to as new was the “same unreliable smoke tests which were presented at the original trial” (Br. p. 24). Yet the tests referred to were shown for the first time at the *contempt* hearing.



These statements are evidently part of Holly's present strategy of denying that Landsberg's data was ever shown to have been erroneous (Sec. 1, above), for they are inexplicable on any other basis. It was clear to all that Coleman's counsel, when referring to new evidence, was referring to evidence which was new *since the original trial*. Also, that when at the *accounting* trial he said "this is not new evidence" he was referring back to the *contempt* hearing (the contempt decree being here on appeal *for the first time*) and no further. Certainly such statements by Coleman's counsel, which were true, are irrelevant to the subject of Coleman's good faith. The evidence referred to as new evidence was new evidence. Holly's grasping at such a straw suggests the poverty of the record on the bad faith issue.

12. Again, that Coleman is attempting to relitigate the infringement issue, and a recurrence of Holly's present pretense that there was no disclosure of its prior error. This has been discussed in a preceding section.

13. and 14. That Coleman is maintaining the *other* case before this Court (*Siegler v. Coleman* No. 16154) to vex and annoy, an assumption which cannot justifiably be made, *a fortiori* before that appeal has been heard by this Court. Furthermore, since that case was started by Holly (its successor, Siegler), and not by Coleman, the contention is that it is bad faith on "our" part for "them" to sue "us."

Lastly, Holly argues elsewhere (Br. pp. 94-96) that Coleman's Giwosky patent has no significance in showing Coleman's *good* faith, for various irrelevant reasons: (1) No patent was applied for until after Holly's, and after Coleman had seen the Holly heater. (The Patent Office granted Coleman a patent over the citation of Holly's as

prior art.) (2) Coleman put its heater on the market nearly a year before it applied for its patent. (The law allows a patentee a year after he markets his product before applying for his patent.) (3) The District Court has held that Coleman's patent is invalid. (That decision, made on motion for summary judgment, is on contemporaneous appeal, and Holly's assertion begs the issue of that appeal.) (4) Coleman did not follow its patent by taking its economizer air directly from the room, but took it from the wall spaces. (The evidence clearly shows that *except for leakage* Coleman *did* take its air directly from the room. Holly's original erroneous evidence was refuted when the present issue of damages was tried, and Holly produced no additional evidence after its attention was called to the air source it has overlooked. Neither Holly's nor Coleman's patent excludes the possibility of leakage from the source prescribed by the other.) (5) Coleman did not mark its heater with its patent number. (No law required it to.)

The foregoing summary of the evidence Holly relied on to show bad faith indicates why the Special Master, who heard the witnesses, found that Coleman had acted in good faith.

Since the record cannot support but affirmatively rebuts the Trial Court's finding of bad faith, the judgment awarding punitive damages and attorney's fees must be reversed—see authorities compiled at pages 44-45 of Coleman's opening brief.<sup>10</sup>

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<sup>10</sup>On page 92 of its brief Holly cites three cases for the assertion that as to attorney's fees an award may be justified "by even less showing of unfairness or bad faith than is required to justify an award of punitive damages". The three cases there cited hold no such thing, nor do they even announce such a principle by way of dictum. They are merely instances where, under the special cir-

5. **Claim That Holly Is Entitled to Damages Based Upon Assumption It Would Have Made Substantially All of Coleman's Sales but for the Infringement.**

Holly distorts Coleman's argument so as present itself with a vulnerable target. Thus, Coleman is repeatedly said to contend that Holly was required to show that it would have made "each and every one" of Coleman's sales but for the infringement, and to prove its loss "with absolute certainty" (Br. pp. 15, 48, 51).<sup>11</sup> Holly actually states that "throughout the accounting" Coleman made this contention (Br. p. 15), although nowhere in Coleman's brief or oral argument can be found any such contention. But even Holly admits the following requirement: that the evidence must show that "*in all probability*

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cumstances present, the court saw fit to allow attorney's fees but not to assess punitive damages against a defendant whose wanton conduct could have sustained either or both types of awards. Holly might as logically have cited cases where, upon a finding of bad faith, the court awarded punitive damages equal to twice plaintiff's actual losses, and argued therefrom that *double* damages may be awarded on evidence which won't sustain a decree of *treble* damages. At all events, as demonstrated in Coleman's opening brief (pp. 44-45), neither punitive damages nor attorney's fees may be awarded unless the infringing defendant is *first* properly adjudged guilty of wantonness or bad faith; and once this finding is justifiably made, then the court is invested with discretion to award attorney's fees and punitive damages, *either or both*. In fact, if there be any distinction between degrees of wantonness which will sustain an award of attorney's fees as distinguished from punitive damages, this Court's recent decision in *Elric Rim Co. v. Reading Tire Machinery Co., Inc.* (decided March 4, 1959) suggests that at least as much proof of fraud is required for the former. There, although the trial court awarded attorney's fees to plaintiff on a finding that defendant's infringement was "willful, deliberate and intentional" and done without reasonable grounds for thinking plaintiff's patent was invalid, this Court reversed the judgment for the reason that the factual findings would not sustain the attorney's fee award.

<sup>11</sup>Although Holly claims that Coleman has made this contention throughout the proceedings, Coleman expressly stated that it did not do so [R. 1947].

*the injured party would have made the sales which the wrongdoer made*" (Br. p. 52).

Coleman does not complain because Holly did not trace "each and every one" of the sales it claims it lost, but because it did not show a *single* lost sale, nor any circumstance whatsoever from which it might be inferred that Holly would have made substantially all, or even any appreciable portion, of Coleman's sales but for the infringement. It will be remembered that the judgment assumes Holly would have made *all* of Coleman's sales. Not only was there no basis for such assumption in the first place, but any validity it might have had as a guess is invalidated by the actuality.

What happened before and after infringement provides a laboratory test control, excessively favorable to Holly because it ignores all other factors (besides infringement) which would cause fluctuations in business. Yet even with this unreasonable assumption, Coleman's share of the national market scarcely varied at all, before, during, or after infringement (Op. Br. pp. 33-34). And Holly's maximum variation in any one year (1953) as computed by the Master was 5.4% [R. 50], as contrasted with Coleman's quite constant 11% (Op. Br. pp. 33-34). Even the 5.4% figure is misleading in Holly's favor because this maximum variation occurred in 1953 [R. 49, 50; Op. Br. p. 28], a year in which the causes of Holly's slight recession are known and were admittedly *other than infringement*.<sup>12</sup> Except for that year, the maximum variation was

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<sup>12</sup>Holly's vice-president testified that reduced sales in 1953 were caused primarily by steel shortage, resulting sales allocation program, and limited plant capacity [Orig. R. 468-470]. Of the sales allocation program he said: "We set up rather elaborate mechanics for handling it through our sales office, and it remained in effect during the first half of that year, and of course drastically affected

2.3% (*ibid.*). Holly had 19.1% of the market when infringement began, 20% after it stopped, and from 17.5% to 18.8% throughout the infringement except for 1953. Coleman had no corresponding gain. It is altogether impossible that Coleman's sales can be taken as a measure of Holly's damages.

The foregoing evidence has been reviewed not to show that Holly should have been awarded damages based on the fluctuations, but because what actually happened is further proof of the unreasonableness of the assumption upon which the judgment is based. Holly depicts Coleman as an "intentional tort-feasor" who wrongfully claims the right to retain the "fruits of its wrong-doing" and to pay only a royalty therefor (Br. p. 38). Coleman has never denied liability for any damages actually sustained, but damages must certainly appear from evidence and cannot be presumed from infringement alone, as Holly seems to believe despite the fact that no case supports its position.<sup>13</sup>

Holly contends that the *Livesay* case is directly in point and that it controls the disposition of the present case. This assertion overlooks the fact that the lost sales dam-

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our sales effort through the year, for we were doing the very reverse of selling for at least half of the period" [Orig. R. 470]. Coleman's competition was mentioned only as an afterthought, thereafter [Orig. R. 470], together with the competition of other companies. *These admitted facts made it fantastic that the lower court could have awarded Holly all of Coleman's 1953 sales.*

<sup>13</sup>All the cases cited in Holly's brief are easily distinguished. (See Coleman's Op. Br. pp. 34-37.) The *Livesay* case which Holly claims is the closest on its facts is discussed in the text immediately following this note. The only new case cited by Holly is *Graham et al. v. Geoffrey Mfg. Inc., et al.*, 253 F. 2d 72 (5th Cir., 1958). This decision obviously does not support the awarding of profits without clear proof of lost sales. In the *Graham* case both parties admitted that the patent owner would have made the sales except for the infringement, as the court states: "Nor is there any real dispute that appellants would have sold substantially all of these plows, but for the action of appellees."

ages in the *Livesay* case were established by two elements of proof which are missing here. In the *Livesay* case the evidence showed respecting the product in question (a monolithic window frame with a Venetian blind guide) "that over 95%<sup>14</sup> were manufactured and sold by these two parties, Infringer and Licensee." It was also shown that "as to all of the residences comprising the 95% with built-in-blind guides which went to make up the combined volume of Infringer and Licensee, the builder, or contractor, or architects called for this type of frame." Consequently, as pointed out by the court, "the source of supply was confined to these two parties" (251 F. 2d 469).

In an evident attempt to analogize its situation to that involved in the *Livesay* case, Holly refers (Br. pp. 58, 59, 64) to testimony of its own witnesses (who presumably did not understate the facts) that "some" of its literature contained an A. I. A. file number so architects could, *if they cared to*, use it in their specifications (Br. p. 58), and that *sometimes* ("in many instances," Br. p. 58) its heaters were sold under architectural specifications for wall heaters with secondary heat exchangers. This, though, falls far short of demonstrating that most or even any substantial number of its sales were effected in this manner. In any event, moreover, this would be wholly immaterial *unless it were also established that Coleman heaters were used to meet such specifications*, as was true in *Livesay*. There was no such evidence.

Holly also contends that the *Livesay* decision supports it because Holly's heaters were not in direct competition with wall heaters manufactured by anyone but Coleman

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<sup>14</sup>The figure "95%" is misprinted as "9.5%" in the quotation on page 35 of Coleman's opening brief.

(Br. pp. 60-64), thus attempting to bring the instant facts within those of the *Livesay* case by showing a limited market served by only these two parties.<sup>15</sup> Holly offered no evidence whatever to show such limited competition, or even a public awareness of so limited a classification of wall heaters, and could not possibly have done so. Holly could not even show that Coleman ever advertised or referred to any of the alleged "sales features" which Holly stresses (Br. p. 61).<sup>16</sup> The true competitive situation, moreover, was told by Holly's president on cross-examination [R. 1483-1484]:

Q. Who were the other competitors in the wall heater business in 1950, '51, '52, and '53 besides Coleman? A. I would be a little pressed for names at this time.

Q. About how many were there? A. *Well, it was a considerable number. I would say a dozen or more.*

Q. Would you name all that you can now think of? A. There was Day & Night with their Panel Ray, Hammill, there was a Modern at some point in there, there was also one made in Alhambra, I have forgotten the name of it, however.

Special Master: Was that Cooper?

The Witness: No. It was what had formerly been the Alhambra Sheet Metal Works but I forget the name they applied to the heater.

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<sup>15</sup>It is a paradox that Holly complains of its inability to secure 20% of the national wall heater market while insisting in this portion of its brief that Holly and Coleman were not part of that market—that the two of them exclusively enjoyed the "wall heater *with-secondary-heat-exchanger market*" and did not participate in and received no competition from the separate "wall heater *without-secondary-heat-exchanger market*" which was supplied exclusively by all other manufacturers of wall heaters.

<sup>16</sup>Most of three "important sales features" (Holly's Br. p. 61) are *not* patentable elements in any event.

Q. (By Mr. Stanbury): Was Williams in the market at that time? A. Yes, I think Williams was.

Q. Royal Jet? A. Yes.

Q. How many companies at that time were making single stud space wall heaters? A. During what time was this?

Q. I don't know when they started. I said '50 through '53. A. I am not sure. I think that *some-where at least during that period most of them came to the single stud space heaters but not in all sizes.*

The directly competitive nature of the wall heaters of other manufactures was repeatedly confirmed at the original trial by Holly's Vice President, Mr. Hammond. This gentleman was under no illusions that the patented wall heaters competed in a separate market from other wall heaters. In discussing Holly's competitive position, he referred to an exhibit which set out figures on national wall heater sales, stating:

"Exhibit 41 is a bulletin put out by the Bureau of Census of the United States Department of Commerce in which they show, among other things, national wall furnace shipments. And we used that to compare our own sales as against national figures to determine the percentage of the market that we enjoy" [Orig. R. 443, Tr. Ex. 41].

In this connection, although during the trial below Holly stressed the importance of A. G. A. approvals [*e. g.*, Orig. R. 52, 473], in its brief to this Court Holly now insists that A. G. A. approval is meaningless (Br. pp. 67-69) and that the number of A. G. A. approved manufacturers in the wall heating market was of "no significance" to Holly (Br. p. 71). Yet when Holly's presi-



dent Johnson was asked to state the "important sales features" of Holly's heater, he immediately singled out "A. G. A. approved floor to ceiling" [R. 1417]. Again, Holly's sales manager said that avoidance of the hot wall problem per this A. G. A. approval was "*the biggest single sales advantage that we had*" [R. 1019-1020]. But observe that in, and from and after, 1954, *all* A. G. A. approved heaters had solved this problem and were directly competitive insofar as this "biggest" sales feature is concerned, as was admitted by Holly's witness Hollingsworth [R. 1164-1165; see Op. Br. p. 30]. Moreover, Mr. Hammond, Holly's vice-president, offered the following explanation for the volume decline suffered by Holly in 1953: "And I think that it is also worth to mention that a number of other manufacturers of wall heaters came into the business during this period that we have been talking about" [Orig. R. 470-471]. And throughout its brief Holly has computed its share of the market upon the basis of wall heaters generally, not in terms of any special market served only by Coleman and itself—compare the admission of Holly's Mr. Hammond, *supra*, that Holly used the U. S. Department of Commerce bulletins covering "national wall furnace shipments" in order "to compare our own sales as against national figures to determine the percentage of the market that we enjoy" [Orig. R. 443]. Obviously Holly was competing in and with the industry.

These facts, all derived from Holly's evidence, affirmatively show the absence of a special captive market such as existed in the *Livesay* case. But since the burden was on Holly to show the contrary, it is sufficient, here, to note the complete absence of other evidence.

All of this adds up to this fact: There was no special market or demand for wall heaters equipped with economizers, made according to Holly's design or any other

design. Instead, Holly competed in the wall heater market generally. Therefore, this was not a case in which it can be assumed that prospective purchasers were compelled to purchase from either Holly or Coleman, and thus one in which it might be inferred that a sale made by Coleman would probably have been made by Holly had Coleman not had an economizer. This obvious fact was stated by the Master, with the observation that it would be "highly conjectural" to find otherwise [R. 52].<sup>17</sup> Holly did not prove, nor is it clear that Holly even attempted to prove, and certainly it could not prove, the existence of a special market for economizer equipped heaters. (It will be remembered, of course, that Holly had no patent on economizers, this broad classification being used herein to make it all inclusive of anything Holly might claim.)

## 6. Claim That Holly's Actual Profits Were 19%.

The appendix to this brief is printed under separate cover to facilitate the references suggested below.

The Trial Court found Holly's average net profit on wall heater sales was 19% [Finding XII, R. 426], and multiplied Colemans' \$7,635,062.00 sales by 19% to arrive

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<sup>17</sup>At page 15 of its brief, Holly quotes out of context the Special Master's statement that Holly "*may have been* able to make all the sales made by defendant or at least a large percentage of them" [R. 52]. But the Special Master hastened to add: "However, there is *no evidence* before me that plaintiff could have made all of the sales made by defendant . . . it would be highly conjectural to find that plaintiff could have made all of the defendant's sales but for the infringing heater" [R. 52]. In short, what the Special Master really said was: Conceivably Holly might have been able to make Coleman's sales but for Coleman's infringement, but there is absolutely no proof of this in the record and it would be pure conjecture on my part to assume so—especially since, as the Master also noted, "In my opinion some of defendant's customers would have used heaters *without the patented features*, supplied by the defendant or others . . ." [R. 52].

at the basic \$1,450,661.78 judgment below [Finding XIII, R. 426]. Coleman's opening brief (pp. 37-40) demonstrates that Holly's assumed 19% profit margin is without support in the record.

In its answer brief, Holly seeks to evade this crucial problem by suggesting that the basis for its assumed 19% profit margin is not reviewable because Coleman's Concise Statement of Points on Appeal and its Specifications of Error do not descend to sufficient detail regarding the 19% finding.<sup>18</sup> However, Point I [R. 2016] and Specification 1 (Op. Br. p. 7) clearly assert that "the evidence does not support the award of purported lost profits, or any award except of reasonable royalty, for the reason that appellee failed to prove lost profits or any actual damage." To insure (*inter alia*) that the lost sales damage computation was in issue, Coleman further specified in Point 10 [R. 2018] and Specification 7c (Op. Br. p. 8) that damages due to lost sales "were not susceptible to numerical computation." We submit these concise specifications comply with this Court's directive on the former appeal wherein Coleman's presentation of detailed statements of error was criticized. (*Coleman Co. v. Holly Manufacturing Co.*, 233 F. 2d 71, 75).

After thus diverting attention from the real issue, Holly makes no attempt to answer the fundamental objection to the 19% profit figure advanced in the first paragraph of Section I(3) of Coleman's Opening Brief (pp. 37-38), namely, that the earliest and only records broken

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<sup>18</sup>Holly also asserts (Br. p. 45) that Coleman raised no objection in the court below to Finding XII which adopts this 19% figure. Although immaterial with respect to Coleman's appellate rights, the truth is that Coleman did object, most emphatically, to both Finding XII and Finding XIII [R. 353].

down to show Holly's profits *on wall heaters alone* (as distinguished from profits from *all* sources) relate to the years 1956 and 1957, and show a net profit of but 10.5% for the first six months of 1956 [Accounting Ex. 36, R. 1341] and of only 7.1% for the fiscal year July 1, 1956, to June 30, 1957 [Accounting Ex. 33, R. 1326-27]. Holly ignores these actual figures taken from its own audits, and attempts to sustain the 19% figure in two other ways:

(1) Primarily, Holly relies upon Accounting Exhibit 20, "a detailed computation made by one of Holly's accountants [Mr. Claybaugh] in accordance with Holly's standard accounting practices . . ." (Br. p. 45). However, there is nothing to indicate that the Trial Court accepted or relied on Exhibit 20 in making its 19% profit margin finding. Moreover, the exhibit is devoid of evidentiary value since it is conclusively demonstrated to be false by Holly's own accounting audits upon which the exhibit's computations are admittedly based.

The only "19%" evidence below was proof from Holly's basic audits that for 1951, 1952, and the first half (only) of 1953 its average profit was "approximately 19%" [R. 1431, 1488; Holly's Br. p. 46]. It was *this* evidence—not Exhibit 20—which the Special Master accepted [R. 49-50; Holly's memorandum supporting its proposed findings, Paragraph XII, R. 252] in fixing Holly's net profits at 19% [Finding XII, R. 252], which finding, in turn, was then adopted by the Trial Court [Finding XI, R. 426].<sup>19</sup> Exhibit 20 was compiled on a "per unit," not

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<sup>19</sup>We will separately discuss this "19% evidence" in a moment. At this point we merely call attention to the fact that the Special Master made no use of Holly's assumed 19% profit figure; instead, he recommended a \$785,975.85 award representing the net profit made by Coleman on its infringing wall heater sales [Finding XXII, R. 67].

a *percentage*, basis. If accepted, it would have required a basic judgment of \$1,475,010.00 [Ex. 20], not the \$1,450,661.78 actually awarded. And although Exhibit 20's final \$1,475,010.00 "profit" may be divided by Coleman's \$7,635,062.00 net sales [a figure which is not even shown on Ex. 20] to produce a percentage figure of 19.3, no such computation was attempted below by the Special Master, the Trial Court—or even Holly itself [see Holly's memorandum supporting its proposed findings, Paragraph XIII, R. 253-254].

But assuming, *arguendo*, that Exhibit 20 on its face sustains the "approximately 19% profit" figure and was so accepted by the Trial Court, it is easily demonstrated that the exhibit is so misleading as to border upon the fraudulent, and that it is contradicted and vitiated by the very audits upon which it purports to rest.

Holly presents Exhibit 20 as a computation showing "Holly's average profit per wall heater" (Br. p. 45) during the entire infringing period—not, please observe, the average profit Holly *might have earned* on Coleman's sales had they been made by Holly, *but the profit Holly actually did make on its own actual sales*:

"The figures are shown in Accounting Exhibit 20. Mr. Claybaugh [Holly's accountant who prepared the exhibit] found that Holly's average profit per wall heater *was* as follows . . ." (Holly's Br. p. 45; emphasis ours).

And if the Special Master and Trial Court are assumed to have relied in any part upon Exhibit 20 in determining Holly's average profit to be 19%, they must also be assumed to have understood the exhibit to present *actual*, not hypothetical, profit figures since they respectively

found (emphasis added): . . . that plaintiff's net profit on the patented wall heaters *was* approximately 19% of its net sales . . ." [Finding II, R. 61], and that, "Plaintiff's net profit on the patented wall heaters *was* approximately 19% of its net sales" [Finding XII, R. 426]. In fact, the Special Master, who alone made any reference to Exhibit 20 in connection with his findings, specifically revealed that he understood this exhibit to present *true* profit figures:

"The evidence [i.e., Exhibit 20] shows that during 1952 plaintiff *made* an average sales profit *per unit sold* of \$14.52 . . ." [R. 50, our emphasis].

Actually, however, the net "sales profit" figures shown on Exhibit 20 for each of the years involved do *not* represent true net profits. *Per contra*, they represent the net profits Holly *would have* earned on its actual sales *if it had incurred no administrative or engineering expenses whatever*.

For example, the \$1,072,777.00 "gross profit" figure listed on Exhibit 20 for 1952 was taken directly from Holly's audited Profit and Loss Statement for that year [Ex. "B" to Accounting Ex. 24, R. 1312].<sup>20</sup> Similarly, Exhibit 20's "selling expense" figure of \$219,412.00 coincides with the corresponding figure on Exhibit 24. The difference between these two figures is the \$853,365.00 "sales profit" given on Exhibit 20. *But the audited 1952 Profit and Loss Statement itself also lists—and deducts—*

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<sup>20</sup>Mr. Claybaugh conceded that the figures pertaining to Holly which he used in Exhibit 20 *were taken directly from Holly's annual audits for the years involved* [e. g., R. 1317-1318, 1321]. These audits were prepared by independent certified public accountants [R. 1315-1316, 1318], not by Mr. Claybaugh who was in Holly's full time employment as its "budget director" [R. 1315].

*“administrative and engineering expenses” of \$292,672.00, and thus shows a NET profit of only \$560,693.00. The difference between Holly’s actual 1952 net profits of \$560,693.00, as shown by its certified audit [Ex. 24], and the spurious figure of \$853,365.00 given on Exhibit 20, is due entirely to the fact that the former properly deducts, whereas Exhibit 20 improperly ignores, administrative and engineering expenses of \$292,672.00. When Holly’s correct 1952 net profit figure is substituted for the incorrect figure used in Exhibit 20, its true 1952 per unit sales profit drops from the fictitious \$14.52 shown on Exhibit 20 to merely \$9.05.*

The profit figures for each of the other years shown on Exhibit 20 (1953 through the first three months of 1957) are similarly derived *by omitting all administering and engineering expenses*. To facilitate the Court’s consideration of this matter, Holly’s Exhibit 20 is reproduced on a fold-out sheet in Appendix B to this brief, immediately following which we have also reproduced Holly’s profit and loss statements, and the cost of goods sold, manufacturing, selling, administrative, and engineering expense schedules from Holly’s certified annual audits for the years 1952, 1953, and 1954 [Accounting Exs. 24, 25, and 26, R. 1312-1313]. A comparison of the “gross profit,” “sales expense,” “administrative and engineering expense,” and “net profit” figures on the profit and loss statement in Holly’s basic audit for each of the other years involved, with the corresponding figures on Exhibit 20 (as we have just done for the year 1952), will reveal that in each year Exhibit 20’s “net profit” figure is perfidiously (to exactly the extent of the year’s aggregate administrative-engineering expenses) in excess

of the true figure contained in the audit itself—as is shown by the following tabulation:<sup>21</sup>

	<i>Holly's Actual Profits</i> (per basic audits, Exhibits 24, 25, 26, 27, 28, and 29)	<i>Profits Per Exhibit 20</i>	<i>Difference, or Omitted Engineering and Administrative Expenses</i> (per basic audits, Exhibits 24-29)
1952	\$560,693.00	\$ 853,365.00	\$ 292,672.00
1953	\$389,648.00	\$ 709,989.00	\$ 320,341.00
1954	\$419,444.00	\$ 854,685.00	\$ 435,241.00
1955	\$712,302.00	\$1,091,424.00	\$ 379,122.00
1956	\$258,564.00	\$ 749,555.00	\$ 490,991.00
1957	(\$ 37,691.00)	\$ 90,407.00*	\$ 126,620.00*
Total omitted expenses.....			\$2,044,987.00

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<sup>21</sup>Holly's profit and loss statements (captioned, "Statement of Earnings") for 1955, 1956, and the first 3 months of 1957, are also in evidence as Accounting Exhibits 27, 28 and 29 [R. 1313], but in the interests of space are not reproduced in Appendix B hereto. Exhibit 28, for 1956, consists of two sheets, one covering the period from January 1 through June 30, and the second (labeled "Fiscal Year to Date") covering the remaining 6 months of 1956; hence, the figures on the two sheets must be aggregated to reach the correct results. Exhibit 29, for 1957, contains three sheets and covers the fiscal period *from July 1, 1956, through March 31, 1957* (thus overlapping Exhibit 28). But if the figures in the "This Month" column at the left margin of each of the three sheets are totaled, it will be found that, *after deducting administrative-engineering expenses*, Holly's sales showed a net profit for January of \$4,987.00 and *net losses* for February of \$16,420.00 and for March of \$26,258.00, or, for the 3 month period, a net Loss of \$37,691.00—as contrasted with the net profit of \$90,407.00 incorrectly shown for this same period on Exhibit 20.

\*Accounting Exhibit 29 shows, for the first three 1957 months a gross profit of \$88,929.00 less administrative-engineering expenses of \$126,620.00, or a net loss of \$37,691.00. *The \$90,407.00 "profit" for these 3 months shown on Exhibit 20 is \$1,478.00 in excess of the proper figure even before deducting administrative-engineering costs.*



That administrative-engineering expenses were *not* deducted in computing Holly's "sales profit" on Exhibit 20—notwithstanding the fact that Holly's basic audits properly deduct administrative and engineering (as well as manufacturing and selling) expenses from "gross profit" in determining net profit [*e.g.*, see 1952 Profit and Loss Statement of Ex. 24 in Appendix B hereto]—was admitted by Mr. Claybaugh [R. 1321-1323]. See, too, Holly's brief, page 46, and the caveat on the face of Exhibit 20 itself:

*"The above profit computation assumes Administrative and Engineering expenses remain fixed regardless of volume and that Sales expenses varies [sic] in proportion to volume."* (Our emphasis.)

In the somewhat obscure idiom of accountancy, what Mr. Claybaugh means is that, in preparing Exhibit 20, he *assumed* that Holly's administrative and engineering expenses would be the same each year *regardless of how many heaters it sold—i.e.*, would "remain fixed"—whereas selling (and manufacturing) costs would rise substantially in proportion to sales volume. *Ergo*, Exhibit 20 computes Holly's average profit by merely deducting selling-manufacturing expenses from gross sales *and ignoring administrative-engineering costs* entirely; and what Exhibit 20 terms Holly's "average sales profit per unit sold" represents the profit Holly would *presumably* have enjoyed on *Coleman's sales* had Holly been able to make those sales *in addition to its own—and if it could have made those \$7,635,062.00 additional sales and manufactured*

and delivered those 118,418 additional wall heaters without incurring one additional cent of administrative or engineering costs. This, Holly insists, is most “conservative” (Br. p. 46), and “more favorable to Coleman than it should be” (Br. p. 47), because the “fixed” elements of manufacturing and selling expenses which Exhibit 20 treats as variable “more than offset any variable items of administrative and engineering expenses” (Holly’s Br. p. 46). Precisely this same excuse is offered by the caveat on the face of Exhibit 20 itself:

*“This is a very conservative appraisal ignoring the fact that some elements of Sales Expenses are fixed. This method of computation could be further justified by the fact that fixed portions of Manufacturing costs such as Depreciation, Real Estate Taxes, Insurance, which have been ignored [i. e., treated as ‘variable’ rather than ‘fixed’], more than offset variable items of Administrative and Engineering expenses.”* (Emphasis added.)

The record contains no smidgen of evidence to support this hypothesis. Moreover, this Court knows judicially that *neither* administrative-engineering *nor* manufacturing-selling expenses remain fixed regardless of sales volume, but that, contrariwise, these four critical expense elements all necessarily increase as sales volume expands.<sup>22</sup> At all

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<sup>22</sup>Courts take judicial notice of accounting and bookkeeping practices as well as of normal business experience and tendencies: *Baltimore & O. C. T. R. Co. v. Becker Milling Mach. Co.*, 272 Fed. 933, 935 (C. C. A. 7, 1921), and syl. 3; *Ransome Concrete Machinery Co. v. Moody*, 282 Fed. 29, 36 (C. C. A. 2, 1922), and syl. 14; *Decker v. Korth*, 219 F. 2d 732, 737 (C. C. A. 10, 1955).

events, Mr. Claybaugh's incredible postulate is demolished by Holly's own accounting records.

Thus, Holly's annual audits for the years 1949 through 1954 [Accounting Exs. 21-26, respectively, R. 1311-1313], and its profit and loss statements for the years 1955 through the first three months of 1957 [Accounting Exs. 27-29, respectively, R. 1313] establish that in no two of those eight years (plus three months of the ninth year) did Holly achieve the same sales volume. *Yet its manufacturing costs, its selling expenses, its administrative expenses, and its engineering expenses were drastically different in each of these periods, thereby conclusively demonstrating that all four types of expenses are variable, and that none remain fixed irrespective of volume. Furthermore, these exhibits establish that all four types of expenses increase when gross sales increase.* This is quickly illustrated by the following tabulation of Holly's gross sales, manufacturing costs, sales expenses, and administrative-engineering expenses for the years 1949 through 1954, with all of our figures being taken directly from Holly's annual audits for this period [Accounting Exs. 21-26, respectively]:<sup>23</sup>

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<sup>23</sup>Accounting Exhibits 27-29 [R. 1313] demonstrate this same relationship between selling, administrative, and engineering expenses, on the one hand, and gross sales, on the other hand, for Holly's years 1955, 1956, and the first three months of 1957. However, *manufacturing* costs are not segregated from other items (such as material costs) in the "cost of goods sold" line on these exhibits. Hence, we are unable to include manufacturing cost figures for these periods in our tabulation.

Year	Gross Sales	Manufacturing costs	Sales Costs	Administrative-Engineering costs
1949	\$1,853,851	\$362,166	\$130,484	\$173,725
1950	\$2,409,488	\$479,330	\$166,435	\$209,870
1951	\$2,859,622	\$553,273	\$197,382	\$244,725
1952	\$3,305,269	\$672,984	\$219,412	\$292,672
1953*	\$3,234,930	\$829,955	\$245,070	\$320,341
1954	\$3,568,055	\$724,403	\$305,397	\$435,241

Finally, an examination Holly's actual manufacturing and selling expenses during the years in question, as itemized on schedules "2" and "3," respectively, of Holly's basic audits [Accounting Exs. 21-26], proves beyond question that Exhibit 20's disregard of \$2,044,987.00 administrative-engineering expenses between January 1, 1952, and March 31, 1957, cannot possibly be offset—much less "more than offset" [Ex. 20, caveat]—by the "fixed" items of manufacturing and selling expenses which Exhibit 20 "conservatively" treats as variable.

For example, schedule "2" of Holly's 1952 audit [Ex. 24] lists aggregate manufacturing expenses of \$672,984.31, of which "labor," "payroll taxes," and "supervision" *alone* account for \$612,260.13, leaving but \$60-

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\*Although Holly's 1953 gross sales were slightly lower than in 1952 and 1954, its manufacturing costs were *higher* in 1953 than in the other two years, which is inconsistent with the postulate that any appreciable portion of manufacturing cost remains fixed. Also, while administrative-engineering costs were somewhat lower in 1952 than in 1953 notwithstanding Holly's slightly higher 1952 gross sales, *this is true also of selling expenses*, which again illustrates that variability is not the exclusive property of either cost element. Incidentally, schedule "5" of each Holly audit, listing "engineering expenses," reveals that not one fixed item has been included but that every iota of engineering cost is variable.

724.18 which could possibly be termed "fixed" expenses. And most of the other items listed are as unarguably "variable" as the three just mentioned.<sup>24</sup> Schedule "3" of this same audit itemizes "selling expenses" of \$219,412.34; yet only "insurance, general" (\$76.32) is a clearly "fixed" item. (This and Holly's other "selling expense" schedules explain why Mr. Claybaugh's caveat to Exhibit 20 vaguely mentions that "some elements of Sales Expense are fixed," without specifying what elements he had in mind.) Is Exhibit 20 being "conservative" when it attempts to offset 1952 administrative-engineering expenses of \$292,672.02 [Ex. 24, Schedules "4" and "5"] simply by conceding the foregoing niggardly (comparatively speaking) "fixed" elements of manufacturing and selling costs? If the Court will examine the scheduled manufacturing, selling, administrative, and engineering expenses for each of the other years covered by Holly's basic audits (*e.g.*, see Appendix B hereto), it will instantly see that in each year Holly's administrative-engineering expenses are more than double the maximum conceivably "fixed elements" of its manufacturing-selling costs for that same year. Therefore, Holly's own accounting audits prove that Exhibit 20's failure to deduct over two million dollars worth of administrative-engineering expenses during the infringement period cannot be justified upon the undeniably false premise of "offsetting" fixed elements of manufacturing-selling costs. Since

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<sup>24</sup>For example, "shop supplies," \$10,650.97; "insurance on employee," \$15,409.86; "production supplies," \$4,911.90; "material handling," \$10,248.42; and "employee relations," \$4,720.59. To assume, even, that general insurance, real property taxes, and building depreciation are "fixed" must in turn rest upon another drastic assumption that Holly might have increased its output some 34% by adding Coleman's sales to its own without having been required to enlarge its manufacturing facilities.

Holly's administrative-engineering expenses were in each year far in excess of its fixed manufacturing-selling costs, the omission of *all* of the former cannot possibly be counterbalanced or "more than offset" by merely "some fair proportion" of the latter. We have only the bald assertion of Mr. Claybaugh regarding this "offsetting," which, being an inherently incredible suggestion *flatly contradicted by the very accounting records from which his Exhibit 20 was prepared*, is without evidentiary value.<sup>25</sup>

(2) To sustain Holly's fictional "19%" profit margin there remains only Holly's alternative contention (Br. p. 45) that "during a reasonable period" its average net profit from heater sales was 19%. The period selected by Holly, however, is not "reasonable" but completely arbitrary: 1951, 1952, and the *first half of 1953* [R. 49-50, 252-253]. No explanation has ever been offered by Holly for choosing this bobtailed, unrepresentative, arbitrarily selected 30 month period as establishing its true profit margin. This Court possesses judicial knowledge of general business conditions,<sup>26</sup> particularly of post-war economic upturns,<sup>27</sup> and therefore knows that Holly is attempting to predicate its profit margin upon its ex-

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<sup>25</sup>Compare, *e.g.*, *Geigy Chemical Corporation v. Allen*, 224 F. 2d 110, 114 (5th Cir., 1955): "Courts are not required to believe testimony which is inherently incredible or which is contrary to the laws of nature and of human experience, or which they judicially know to be unbelievable." And see the well known statement by Van Fleet, V. C., in *Daggers v. Van Dyck*, 37 N. J. Eq. 130, 132-133 (1883).

<sup>26</sup>*Dayton P. & L. Co. v. Public Utilities Commission*, 292 U. S. 290, 311, 78 L. Ed. 1267, 1281 (1934).

<sup>27</sup>*Great Northern R. Co. v. Weeks*, 297 U. S. 135, 149, 80 L. Ed. 532, 541 (1936); *Galveston Electric Co. v. Galveston*, 258 U. S. 388, 402, 66 L. Ed. 678, 686 (1922); *Ransome Concrete Machinery Co. v. Moody*, 282 Fed. 29, 35 (C. C. A. 2, 1922), and syl. 13.

perience during the Korean War boom period. Moreover, we respectfully suggest that, being fully cognizant of the fact that through a process of simple mathematics Exhibit 20 might be construed to indicate a 19.3% profit margin, Holly deliberately selected this truncated 30 month period solely because it fortuitously yields a consistent 19% (actually, 18.94%) result—like the proverbial “pencil engineering” of the student who commences with his answer and works backward to solve it. At any event, there can be no justification for excluding the last half of 1953, especially since Holly’s profit margin for this entire year was 13.8% [see p. 4 of Accounting Ex. 25, R. 1312] as contrasted with the adventitious 19.7% figure for merely the first six months. Nor, in fact, is there any rational basis for embracing only this implausible, abbreviated 30 month period and eliminating all other years involved (see Coleman’s Op. Br. pp. 37-40).<sup>28</sup>

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<sup>28</sup>It is, incidentally, paradoxical that Holly (Br. p. 47) should criticize the table shown at page 39 of Coleman’s Opening Brief in part because, “The first three months of 1957 are given the same weight as a full year.” Holly itself did not hesitate to use figures for only part (the first half) of 1953 when this method of computation served its own purposes; and only by giving to this one-half year “the same weight as a full year” can Holly’s profit margins for 1951 (20.1%), 1952 (17.4%), and the *first half of 1953* (19.7%) provide a “19%” (19.07%) average profit figure. (When properly averaged mathematically, these figures give a margin of 18.75%.) Although in its page 39 (Op. Br.) table Coleman simply followed Holly’s lead, if 1957 is omitted therefrom and if the 1956 figures are combined to a single average profit of 6.1%, Holly’s average profit margin for the full years 1952 through 1956 still amounts only to 12.0%—far short of “19%.” Also, Coleman’s page 39 table is overly favorable to Holly in that the 2.8% profit figure there shown for 1957 overlaps 1956 and is for the period from *July 1, 1956*, through March 31, 1957. Actually, as hereinbefore demonstrated, Holly’s Accounting Exhibit 29 establishes that for the first three months of 1957 Holly operated at a *net loss* of \$37,691.00.

In summary, it is utterly incredulous that Holly has been able to attain the same answer (a "19%" average profit margin) by, on the one hand, using *actual* profits remaining *after properly deducting not only manufacturing-selling expenses but also administrative engineering expenses* during an abridged and capriciously selected 30 month period. and, on the other hand, by using wholly fictitious net profit figures for the years 1952-1957 *which are derived by completely ignoring over two million dollars of administrative-engineering costs*. We submit Holly's profits during the artificially chosen, fragmentary two-and-one-half year period from January 1, 1951, through only the first half of 1953, are devoid of probative value in establishing Holly's average profit margin; and the purely fictional profit figures shown on Exhibit 20 are equally incapable of sustaining the judgment below. We resubmit, therefore, that Holly's claimed "19%" profit margin—upon which the basic \$1,450,661.78 judgment herein is entirely predicated—finds no support whatever in the record.

## **7. Claim That Holly Is Entitled to Coleman Profits.**

Holly suggests that *even without proof of lost sales* it is entitled to Coleman's profits (Br. 41). This suggestion was recognized as erroneous by the Trial court [R. 1871]. The present patent damage statute (35 U. S. C. Sec. 284) does not provide for the recovery of profits *as such*. The law was changed in this respect in 1946 (see Appendix A, under separate cover). Finding XI [R. 426] which states that Holly's damages are Coleman's profits or Holly's profits if it had made Coleman's sales, "whichever is the larger" is clearly based on lost sales with respect to both alternatives for, as stated by the Trial Court, an infringer's profits "are only



relevant on the issue of what the plaintiff lost" [R. 1871]. It is not anticipated that this Court will be in doubt that this is so under the present statute, but a review of the legislative history of the 1946 amendment and pertinent decisions appear in Appendix A hereto. If the patentee would, in reasonable probability, have made the infringer's sales but for the infringement, and if the infringer's profits would have at least equalled the patentee's, then the infringer's profits may be considered an element of damage. As shown elsewhere, however, in this case there is no basis for a conclusion that Holly would have made Coleman's sales or any appreciable part thereof except for the infringement. Therefore, without proof of actual damages, under the present statute Holly could be entitled to no more than a reasonable royalty (see Coleman's Op. Br. Point V, pp. 77 *et seq.*).<sup>29</sup>

#### 8. Claim That Coleman Sales Followed a Trend Established by Holly.

It is speciously argued in Holly's brief that Coleman's sales followed a trend established by Holly (Br. 65-66). This argument is based on charts appended to Holly's brief. But the charts have no standing whatsoever as evidence; they are not in evidence and there is no testimony

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<sup>29</sup>At page 40 of its brief, Holly cites one Fifth Court of Appeals decision in which infringers profits were employed as the measure of damages under the particular facts there involved (see footnote). Holly then urges, *in italics*, that the United States Supreme Court "significantly" denied certiorari, thereby exhibiting disdain for "arguments which are the very same as those which Coleman has presented in the present case." Nothing is more elementary than that, as pointed out by Mr. Justice Holmes in *Atlantic Coast Line R. Co. v. Powe*, 283 U. S. 401, 403-404, 76 L. Ed. 1142, 1143 (1931): "But 'the denial of a writ of certiorari imports no expression of opinion upon the merits of the case, as the bar has been told many times.'"

relating to the statistical comparisons made therein. Moreover, they are very misleading. Both Holly and Coleman were in the wall heater business prior to the sale of wall heaters *with economizers*, but the charts fail to take that fact into consideration. They appear to indicate that Coleman first entered the wall heater business in 1952, whereas the fact is that Coleman had a full line of single stud space wall heaters on the market as early as 1949 [Orig. R. 321]. Holly was also in the wall heater business prior to 1950 [Orig. R. 429], contrary to the implication of the charts. Obviously, before it can be said that Coleman followed any trend set by Holly, one must know what both were doing and what status they had achieved in the wall heating industry *before* the trend is alleged to have started.

#### 9. Claim That Coleman Was Properly Adjudged Guilty of Contempt.

Holly's answer (Br. 75-87, Point X) to Section IV (pp. 71 *et seq.*) of Coleman's opening brief is largely devoted to insisting that Coleman's "chute" merely *reduced* the flow of pink air into its economizer, but did not prevent it *completely* (Br. 76), wherefore the chute is labeled "a clumsy subterfuge" (Br. 77). Inasmuch as Holly has always conceded, as assuredly no one could deny, that it was unnecessary for Coleman to exclude *all* pink air from its economizer in order to avoid infringement, and that the determinative question is whether *sufficient* pink air enters the economizer *to contribute to the efficiency of its operation* [e.g., R. 700, 710, 766; Coleman's Op. Br. 51], this provides no refutation whatever to Coleman's position. *Per contra*, we submit Holly's own brief demonstrates conclusively that *with the chute installed* Coleman's heater did *not* infringe Holly's patent:

(1) In discussing the "brown air," Holly's brief points out that Landsberg's "new" tests indicated that, without the chute attached, Coleman's economizer received 14.9% "pink" air and 4.5% "brown" air (Br. 83). The Trial Court found, during the course of the contempt hearing, that 14% of Coleman's *non*-chute-equipped economizer was "pink" and that 6% thereof was "brown" (Br. 85). *Hence, if we adopt arguendo Holly's own figures, Coleman's economizers unequipped with chutes received 14% to 14.9% of their air from the "pink" or infringing source, and 4.5% to 6% of their air from the noninfringing "brown" source.*

(2) The Trial Court found that when the chute was added to Coleman's economizer, it excluded two-thirds of the 14% to 14.9% "pink" air, permitting only one-third thereof to enter (Br. 85).<sup>30</sup> That is to say, on this premise, *with the chute installed Coleman's economizer received only one-third of 14%, or 4.666%, or one-third of 14.9%, or 4.966%, of its air from the infringing "pink" source.*

(3) As above noted, if Holly's own figures are accepted as correct, *Coleman's economizer received almost exactly this same percentage, or even a somewhat larger, percentage of air from the noninfringing "brown" source: 4.5%, allegedly according to Landsberg (Br. 83), to 6% according to the trial judge (Br. 85).*

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<sup>30</sup>At page 77 of its brief, Holly states that the "chute" did not "reduce the passageway" for pink air, but merely made it "a little longer," citing "R. 551." Presumably Holly intends thereby to imply that the chute had little or no effect upon the flow of pink air into the economizer. However, at R. 551 Mr. Harmon definitely testified that the chute "actually restricts the passage" and, by interposing "bends in the flow," creates a very definite "restriction" to the entry of pink air. At all events, the Trial Court expressly stated that the chute cut off two-thirds of the pink air which would otherwise enter Coleman's economizer [R. 766].

(4) Finally, Holly in its present brief dismisses that 4.5% to 6% of "brown" air as too insignificant a quantity to be of any consequence. It insists that, "Comparatively, that [brown] is not a major source of air by any means" (Br. 23), and further contends (Br. 12; our emphasis):

"The District Court witnessed the Coleman tests and also witnessed tests conducted by Holly which showed that the 'brown' air path into the economizer *was insignificant. . . .*"

If 4.5% to 6% of "brown" air in Coleman's economizer is an "insignificant" quantity, and if, as Holly's own brief demonstrates, Coleman's economizer with "chute" attached could receive no more than 4.666% to 4.966% of its air from the infringing "pink" source, the "pink" air which leaked into the economizer was fully as "insignificant" and nonutilitarian a quantity as the 4.5% to 6% of "brown" air. By the same token, Coleman's economizer with chute attached could not possibly infringe Holly's patent, and there is no justification for the Trial Court's finding that Coleman was guilty of contempt.

Other contentions advanced in this portion of Holly's brief are equally fallacious. Thus, Mr. Berry did *not* testify that Coleman's heater could not meet A.G.A. approval if all "pink" air were hermetically sealed out of the economizer (Br. 84; also, 25-26, 31, 93-94). Holly is there referring to testimony by Mr. Berry regarding experimental tests conducted with aluminum tape [a temporary expedient employed solely for test purposes R. 1548],<sup>31</sup> and he testified flatly that excluding "pink" air had no effect whatever upon the heater's performance

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<sup>31</sup>A heater partially sealed off with aluminum tape would not likely satisfy A. G. A. requirements regardless of its performance.

[R. 1566]. As for the somewhat similar statement lifted out of context from a letter written by Mr. Olds to Mr. Dawson (Br. 93; see Coleman's Op. Br. 59-61), Mr. Olds was there obviously concerned over the fact that using a "baffle" would prevent air from passing *up the flue into and out of the attic*, thereby creating a wall heating problem, but one which is irrelevant to the instant question of the effect upon wall heating of excluding "pink" air *from the economizer*.

In any event, we have already demonstrated herein from *Holly's own brief* that a mere 4.666% to 4.966% of "pink" air in Coleman's economizer (and assuming that there was that much) is of no utilitarian value whatever, and so "insignificant" in quantity as to be incapable of affecting the economizer's efficiency. Moreover, as emphasized in our opening brief (*e.g.*, p. 50), there has never been one iota of *evidence*—as, perforce, there could not be—that so unsubstantial a quantity as 5% or less of an economizer's air could contribute to its efficiency. Bearing in mind Holly's admission that unless the quantity of "pink" air in Coleman's economizer were sufficient to affect its operation no infringement would result—the unsubstantial quantity of "pink" air being disregarded as "*de minimis*" (Op. Br. 51)—we submit Coleman's adjudication of contempt is patently erroneous and must be reversed.

The foregoing has made the most unfavorable assumption possible from the record. Later, the Court said that what it had *actually* concluded was that 6% of the "pink" infringing air, not the "brown," reached the economizers [R. 1865]. If this is true, what is said above is greatly emphasized, for the chute would then have reduced the infringing air from 6% to 2%.

## 10. Claim That the Degree of Infringement Is Irrelevant.

Holly asserts (Br. 34) without citing any cases that the courts "have never recognized degrees of infringement." This is not true *as applied to the question of damages*. Upon facts like those of the present case, the courts have recognized that the rule *de minimis* is properly applicable (see case cited Op. Br. 87). As stated in the *American Telephone* case (5 F. 2d 535, 536), where "*the infringement was only a mere trifling infraction of plaintiff's rights, the value of the property of plaintiff so tortiously taken by the defendant or converted to his use is nominal and not substantial, and in such cases only nominal damages, as distinguished from profits, can be assessed against the infringer*" (italics added).

## 11. Claim That Appeal Is Frivolous, Subjecting Coleman to Further Penal Damages.

Now Holly seeks an additional penalty of 10% of the judgment (or \$250,864.27), and double its costs, upon the ground that this appeal is taken upon "frivolous and vexatious" grounds (Br. p. 97). This Court is in a position to determine whether the instant appeal is taken upon frivolous grounds, merely to vex and delay. Coleman has posted a stay bond, and, if the judgment were affirmed, would be paying more than \$175,000 per year in interest alone for the privilege of presenting its case to an appellate court, an expenditure no one would undertake for merely vexatious motives.

In thirty years of practice the writer of this brief does not recall another case in which it has been necessary to resort to a reviewing court to establish issues which are, to him at least, as obvious as those presented here, and

therefore none in which an appeal has seemed, to him, more meritorious. Significantly, and telling against any pretense that the issues are frivolous, Holly does not meet them as they actually are, but resorts to evasion and actual misrepresentation. Thus it flatly denies that the evidence upon which it originally procured the finding of infringement was shown, *without rebuttal*, to be grossly erroneous. It actually states that the new evidence was "old evidence" which the Trial Court had considered and rejected at the *original* trial, whereas in truth, as quoted above, the Trial Court enormously down-graded its original estimate of the quantity of infringing air after witnessing the revelation at the subsequent *contempt* hearing. Therefore, of course, Holly did not make its denial before the trial judge. It could not dispute to him what he had seen for himself and commented upon, although it will do so here in the hope that perhaps the truth cannot be demonstrated from a printed record.

This pretense is now compounded by the charge that by revealing the error Coleman was attempting to "retry the whole case," whereas it is perfectly clear that the new evidence was vital to many issues: the value of what had been taken by the infringement; whether the infringer deliberately made use of the invention in bad faith or merely failed completely to eliminate a non-beneficial air leakage (which is the fact); whether the modified heater infringed; and the whole question of the infringer's equitable position in the case. Also, Holly does not find it feasible to meet the supposedly frivolous issues head-on, but prefers to misrepresent Coleman's contentions so as to make them appear so.

It would seem that if any penalty were to be imposed it should not be against Coleman.

### CONCLUSION.

The facts do not permit Holly to show that it would have made an appreciable or ascertainable number, if any, of Coleman's sales but for the infringement. Holly has nevertheless been awarded enormous damages on the assumption that it would have made all of Coleman's sales. To those sales has been applied a rate of profit which Holly claims to have been making, but which is wholly theoretical (section 6, above). Even more damages have been added by way of penalty, without evidence of bad faith and on a record which affirmatively shows that there was none. Finally, a judgment of contempt was made without evidence that the device before the Court infringed. The entire judgment lacks evidentiary support. As submitted in Appellant's Opening Brief (83-87) the record permits this Court to direct the entry of a proper judgment.

Respectfully submitted,

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No. 16141

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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THE COLEMAN COMPANY, INC., a corporation,

*Appellant,*

*vs.*

HOLLY MANUFACTURING COMPANY, a corporation,

*Appellee.*

---

Petition of Appellant, The Coleman Company, Inc., for  
Rehearing, for Rehearing En Banc, and in the  
Alternative for Clarification of the Court's  
Opinion.

---

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THE COLEMAN COMPANY, INC., a corporation,

*Appellant,*

*vs.*

HOLLY MANUFACTURING COMPANY, a corporation,

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Petition of Appellant, The Coleman Company, Inc., for Rehearing, for Rehearing En Banc, and in the Alternative for Clarification of the Court's Opinion.

---

Appellant hereby petitions the Court for a rehearing, and for a rehearing *en banc*, pursuant to the provisions of Rule 23.<sup>1</sup> In the alternative, appellant petitions the Court for clarification of its opinion. The required certificate of merits is filed separately, but a copy (and one duplicate original) is appended to these petitions.

The judgment appealed from, exclusive of interest, exceeds \$2,500,000 (\$2,508,642.73). Coleman submitted several contentions for the consideration of this Court, all

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<sup>1</sup>With respect to appellant's request for rehearing *en banc*, see, also 28 U. S. C. A. Sec. 46(c), and annotation in 97 L. Ed. at 1004-1007 following the reported case of *Western Corp v. Western P. R. Co.*, 345 U. S. 247, 97 L. Ed. 986.

in good faith and with honest conviction of their merit. The opinion of Judge Ross overlooks Coleman's principal contention entirely. Regarding Coleman's other contentions, the opinion suggests that, if not frivolous, they may nevertheless be summarily disposed of by reference to simple rules of *res judicata* and procedure. It can be demonstrated in these few pages that this is not so, and that Coleman's contentions have not been considered on their merits.

### I.

#### **The Unquestioned Mathematical Error in Computing the Amount of the Judgment Has Not Been Corrected.**

In a judgment of this size, \$20,265.98 is relatively a pittance; but it is nevertheless more than is involved in the whole of many appeals. Coleman has shown that the judgment has been increased by that amount through sheer miscalculation (Op. Br. 76-77). Holly has not questioned that this is so. But the judgment has not been corrected.

### II.

#### **Coleman's Objections to the Basic Award of Nearly \$2,000,000 in General Damages Have Not Been Considered.**

Coleman's appeal raises three separate and distinct issues:

(1) The propriety of the trial court's basic award of \$1,934,251.71 "general damages" for infringement (\$1,-450,661.78 "lost profits" plus \$483,553.93 "to provide full compensation" therefor).

(2) The propriety of the interlocutory order finding Coleman guilty of contempt of the December 28, 1956,

writ of injunction, and the award of \$78,753.15 damages therefor (\$69,483.38 treble damages plus \$9,367.77 special attorneys' fees and expenses).

(3) The propriety of the award of \$492,665.45 exemplary damages (\$362,665.45 plus \$130,000.00 attorneys' fees) premised upon a finding of bad faith.

Of the approximately \$2,500,000 aggregate judgment below, nearly \$2,000,000 is represented by the basic award of general damages (plus \$3,008.42 court costs). And the major portion of Coleman's briefs to this Court was devoted exclusively to this single issue.<sup>2</sup>

Coleman's *chief* complaint is that there is *no* evidence to support the basic award of \$1,934,215.71 general damages, and that such award could have been made only by totally disregarding the 1946 amendment to the patent damage statute under which "the profits to be accounted for by the defendant" were removed as an element of damages, as such, and, in lieu thereof, it was enacted that the patentee may recover "general damages which shall be due compensation for making, using, or selling the invention, not less than a reasonable royalty therefor . . ." (60 Stat. 778).

Both in the trial court and in its briefs to this Court Holly insisted that:

"As a minimum, therefore, Holly would be entitled to recover Coleman's actual profit, \$1,186,537, *irrespective of whether Holly would have made the sales that Coleman made* if Coleman had not entered

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<sup>2</sup>Points I (pp. 25-40), II (pp. 41-44), and V (pp. 77-87) of appellant's opening brief; parts 5, 6, 7 and 8 (pp. 19-42 of appellant's reply brief; and the entire appendix (26 pages) to appellant's reply brief—or some 115 pages in all—dealt solely with the basic issue of general damages.

the field. *An infringer's profits are a traditional measure of damages*" (see page 4, point 3, of this Court's opinion summarizing Holly's argument; our emphasis).

But it was urged in Coleman's briefs that under the 1946 statutory amendment, "The language [of the 1946 amendment] appears to make it plain that profits realized by the infringer are not recoverable as such" (*Ric-Wil Co. v. E. B. Kaiser Co.*, 179 F. 2d 401, 407, 7th Cir. 1950; and see *Faulkner v. Gibbs*, 199 F. 2d 635, 638, ftn. 5, 9th Cir. 1952)—unless under the facts of a given case plaintiff is able to demonstrate that but for the infringement he would in fact have made the infringer's sales (*Ric-Wil Co. v. E. B. Kaiser Co.*, *supra*, at 407).

In this connection, Coleman demonstrated that it is impossible to conclude that Holly would have made all, or substantially all, or even any appreciable part of Coleman's sales (Op. Br. 27-31). We believe this has been unanswerably shown. And the special master expressly so found [R. 52-53]. But it is certain that it sufficiently appears to merit and require this Court's careful consideration. Fluctuations in Holly's share of the national market before, during, and after infringement, as shown by its own evidence, supply laboratory proof of the false assumption underlying the enormous principal award. Holly did not even have coextensive market outlets with Coleman. It was unable to prove that it lost any sales at all, and was required by the facts of the situation to rely upon decisions *in which the patentee and the infringer controlled the entire market* and where, therefore, any sale by the latter must perforce have been supplied by the former but for the infringement. Upon the basis, solely, of these inapplicable decisions Holly argued in ef-



fect that the 1946 amendment introduced no change in the law.

With respect to this—the paramount issue on the appeal—this Court was asked to construe and apply the 1946 patent damage statute amendment. It was also asked, not to weigh evidence, but to decide whether there was *any* evidence to support the basic award of nearly \$2,000,000 general damages—evidence to sustain the assumption that but for the infringement Holly would have made Coleman's sales, or evidence to sustain the assumption that had Holly made Coleman's sales it would have enjoyed a 19 per cent profit therefrom. *Yet the Court's opinion does not even mention the 1946 statutory amendment, and it contains no reference to any of the evidence on this primary issue.*

The opinion begins with the assertion that when infringement has been adjudged, "the question of damages for that infringement is *one of detail*" (p. 1; our emphasis). There follows a terse "statement of the case" (point 1, pp. 1-2), and a topical summary of the respective contentions of Coleman (point 2, pp. 2-4) and Holly (point 3, pp. 4-5). Ensuing points 4 through 8 (pp. 5-12) contain the Court's opinion in chief:

(a) Point 4 reviews the contempt decree which relates to merely \$182,851 *post-injunction sales* [Find. XXV, R. 431] out of the aggregate \$7,635,062 infringing sales upon which the basic award of general damages is predicated [Find. XIII, R. 426]. Whether or not these relatively few sales of chute-equipped heaters were properly held violative of the original injunction has no direct bearing upon the fundamental issue regarding the award of general damages for all \$7,635,062 infringing sales. And the Court's discussion under point 4 is confined to the ef-

fect of the chute, with no mention of the problems raised by the underlying damage controversy.

(b) Point 5 is devoted entirely to the proposition that validity and infringement are *res judicata*, something which does not reach the issue of what damages may properly be awarded for the adjudicated infringement.

(c) Point 6 returns to the contempt issue and discusses the award of \$78,753.15 *punitive* damages for *post-injunction sales*, with stress being placed upon Coleman's lack of good faith, all of which is irrelevant to the main issue of general damages for infringement.

(d) Point 7 is confined to a consideration of whether, with respect to the issue of good faith, Coleman could properly rely upon the advice of its patent counsel—a problem which again is not germane to the general damages issue.

(e) Finally, point 8 discusses the “visual evidence” (smoke tests) observed by the trial judge *during the contempt proceedings*, and states that this justified his disregarding the special master's finding that *with respect to pre-injunction sales* Coleman acted in good faith. Manifestly this does not even touch upon the general damage issue.

Not until the Court's summary “conclusion” (point 9) on the last page of its opinion is there any mention whatever of the evidence and statutory-decisional law bearing upon the \$2,000,000 general damage issue. And even there we find only this single sentence:

“There is substantial evidence to support the judgment of the Court below on the subject of damages for the already adjudicated infringement.”

Upon this most substantial and controlling issue which Coleman has submitted in good faith, upon an extraordinarily strong record, we submit Coleman is entitled to far more consideration than is afforded by the foregoing sentence. It is not even indicated upon what evidence the trial court was justified in assuming that Holly would have made all, or nearly all, or any substantial part, of Coleman's sales (when both its pre-infringement and post-infringement experience shows otherwise), or upon what evidence the trial court could properly conclude that had Holly done so it would have earned a 19 percent profit, so as to support an award of nearly \$2,000,000 in general damages. The conclusion is inescapable that this vital issue has been disposed of without any reference to the evidence upon the mistaken assumption that, notwithstanding the 1946 amendment, once infringement had been adjudicated Holly became entitled to recover all of Coleman's profits—or, even worse, to the profits Holly claimed it would have enjoyed had it made all of Coleman's sales—"irrespective of whether Holly would have made the sales that Coleman made if Coleman had not entered the field" (Opin. p. 4, summarizing Holly's contention).

Holly's brief and oral argument seemingly misled the Court as to the principal issue posed by the appeal since this all important, \$2,000,000 problem is not even discussed in the Court's opinion. If rehearing is not granted, we submit that at least the opinion should be clarified to indicate the basis upon which Coleman's contentions on the general damage issue are rejected.

III.

**The Evidence on the Issue of Good Faith Has Not  
Been Considered Because of the Erroneous As-  
sumption That the Prior Judgment Settled It.**

Judge Ross's conclusion that the evidence supports the finding of bad faith—accounting for nearly \$500,000 (\$492,665.45) of the award—is frankly based upon the original adjudication of infringement, including the former opinion of this Court, on the theory that the issue thereby became *res judicata*.<sup>3</sup>

Assuredly it may not be questioned that a judgment, or appellate decision, does not dispose of questions not then involved but which first arise thereafter (Op. Br. 67-70). The question of Coleman's good or bad faith was not involved at all in the original validity-infringement proceedings. The sole issues then tried were whether Holly's patent was valid, and, if so, whether it was infringed by Coleman's wall heaters. Undeniably the question of Coleman's good or bad faith was irrelevant to the *validity* issue. And it was no less irrelevant to the issue of *infringement*. This is so because good faith is no defense to the charge of infringement, a rudimentary principle which has been recognized since at least 1899—see *National Cash-Register Co. v. Leland*, 94 Fed. 501, 511 (1st Cir.):

“As with other infringers, it is immaterial whether the director knew or was ignorant that the article manufactured and sold did infringe a patent.”

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<sup>3</sup>Actually, since the former and instant appeals involve *the same suit* the appropriate doctrine (assuming *arguendo*, its applicability) is “law of the case” rather than *res judicata* or collateral estoppel—see pages 67-70 of Coleman's original brief herein.

The *damage* issue was not reached at the original trial, being reserved for the subsequent accounting. By the same token, Coleman's good or bad faith became relevant for the first time at the accounting trial because, "The knowledge or intent of the infringer is immaterial, except as it affects the amount of damages recoverable [citations]" (*Callison v. Dean*, 70 F. 2d 55, 57, 10th Cir. 1934).

We readily concede that at the original validity-infringement hearing the trial judge found that Coleman had faithfully copied Holly's invention and that its infringement was intentional, conscious, and deliberate, which finding was affirmed by this Court's opinion on the former appeal. To one unmindful of the settled rule that judicial pronouncements are necessarily limited to the issues then before the court, this indeed might seem to represent an adjudication of bad faith. However, the finding of deliberate, intentional infringement is not tantamount to a finding of bad faith. With regard to this, the Court's opinion contains a quotation from the oral argument of Coleman's counsel which is said to have a double-talk flavor, possibly because of its fractured syntax. The thought attempted to be expressed, however, is a valid one, and no stranger to courts concerned with infringement problems: that deliberate intent to do a thing does not necessarily involve bad faith. It is not likely that anyone infringes a patent without deliberate action. But if the infringing structure is built and sold under a *bona fide* and not unarguably groundless belief that the patent is invalid or that the structure does not infringe, the "deliberate" infringer is not guilty of bad faith. This truism appears not previously to have been questioned in any of the numerous cases in which damages have been fixed after determination of infringement. It is recog-

nized by one perfectly parallel case cited in Coleman's opening brief (p. 70)—*Rockwood v. General Fire Extinguisher Co.*, 37 F. 2d 62 (2nd Cir. 1925). There, as here, the trial court's finding during the initial infringement trial that defendant "had copied the [plaintiff's] idea" and "succeeded in appropriating all that was of value in plaintiff's device" was affirmed on appeal. Upon the subsequent accounting trial, the court assessed punitive damages which, according to the present opinion in the suit at bar, would have been inevitably proper. But the penal award was there reversed on appeal, the court saying:

"The validity of the patent and its infringement was open to honest doubt, and it was not until this court passed upon the question that the defendants were found to infringe. In the absence of a deliberate purpose to infringe no such punitive damages should have been granted [citing cases]." (p. 66).

As hereinbefore demonstrated, prior to the accounting trial the court below (and, accordingly, this Court on the former appeal) could not have adjudicated that Coleman was guilty of good faith because until then good faith was neither a relevant nor a litigated issue. Therefore, if the finding of deliberate, intentional infringement made during the original trial (and affirmed on the former appeal) were intended as a pronouncement of bad faith it would necessarily have been dictum, not adjudication. In any event, however, the record establishes that *in fact* the good faith issue was not litigated at the original trial and that the trial judge did not construe his initial "deliberate" infringement finding as a finding of bad faith [R. 765, 1938-1939, 1996-2002].

In the foregoing connection, note that the trial court did not contradict but acquiesced in the assertion by Coleman's counsel, made during the course of argument at the end of the second accounting trial, that the good faith issue had not therefore been decided *notwithstanding the original finding of "intentional infringement"* [R. 1938-1940, particularly R. 1938]. And note that, at this same closing stage of the subsequent accounting proceedings, the trial court invited and Holly's counsel presented argument regarding the special master's finding of good faith [R. 1994]. All of this is utterly inconsistent with the premise that the trial court had, or thought it had, already adjudicated this issue at the former hearing.

Again, it will be noted that direct evidence pertaining to Coleman's motive was introduced for the first time at the accounting trial when Holly undertook affirmatively to demonstrate bad faith, primarily through the testimony of its surprise witness Dean Olds [R. 1310 *et seq.*]. Even in its current brief to this Court, Holly relies almost exclusively upon *evidence* adduced at the *accounting* trial to support the award of punitive damages and attorney's fees (Point XI, Br. 87-97). For example, in the 14 numbered paragraphs where Holly purports to outline the bases for the exemplary damage award (Br. 87-92), Holly stresses *evidence*—not adjudication—and refers almost entirely to *accounting* trial testimony.<sup>4</sup> The

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<sup>4</sup>Thus, Holly stresses evidence: (1) that Coleman found its wall heaters non competitive (Br. 87); (2) that Coleman's president directed its design engineer to proceed (Br. 87); (3) that Coleman requested but was refused a license from Holly (Br. 88); that Coleman's patent counsel was careless (Br. 88); (8) that Coleman was litigious (Br. 89); (9) that Coleman withheld records from the accounting hearing (Br. 89); (10) that Newton's testimony before the special master related to data used at the contempt

caption of this section of Holly's brief does not mention *res judicata*. Only incidentally, in point "4" of its 14 numbered arguments (Br. 88), does Holly even suggest that Coleman's bad faith, which Holly is there attempting to demonstrate, was already adjudicated. Even there Holly merely makes the bald assertion that this is so, citing one case—*Bristol Laboratories v. Schenley Laboratories, Inc.*, 117 Fed. Supp. 67 (S. D. Ind.)—which neither involved nor discussed *res judicata*.

We submit the good faith issue was not litigated or determined at the original infringement trial, and that Holly, Coleman, the special master, and the trial court all recognized this fact when the issue was tried, argued, and passed upon for the first time at the accounting hearing. We further submit that it could not legally have been adjudicated at the original trial since Coleman's motive had no bearing upon the issues of validity and infringement which alone were then being tried. Accordingly, we submit the present opinion errs in holding Coleman is precluded from complaining of the huge award of exemplary damages upon the erroneous assumption that Coleman's bad faith was adjudicated before the issue became material or could have been litigated.

When for the first time Coleman's motives became relevant, namely, at the accounting trial, the evidence of-

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hearing (Br. 90); (11) that "new" evidence urged by Coleman before the special master was really old evidence already introduced at the contempt trial (Br. 90); (12) that Coleman sought to retry the infringement issue before the special master (Br. 91); (13) that the record in the companion *Coleman v. Siegler* appeal was significant (Br. 91); and (14) that Coleman improperly relies upon claim 2 of its Giwosky patent (Br. 91). *Not one of these factors was before the trial court during the first infringement trial nor before this Court on the former appeal, and they are all based upon testimony which was never introduced until after this Court's former opinion herein was rendered.*



ferred by both sides showed conclusively that Coleman acted in the bona fide belief that it did not infringe. One cannot read the contemporaneous writings of Holly's witness Olds, Coleman's former design engineer, without recognizing this fact (Op. Br. 55-61). The issue of good or bad faith cannot possibly be decided without reference to the Olds testimony; but it is not mentioned in the opinion. Instead, the opinion stresses only the testimony of Coleman's patent counsel (point "7", p. 11) which of course may be entirely disregarded without satisfying Holly's burden of proving bad faith.

The only other evidence mentioned in the opinion is the "visual evidence" observed by the trial court *during the contempt proceedings* (point "8", p. 12). This, the opinion states, eviscerates Coleman's complaint that the trial court found Coleman guilty of bad faith upon "the same evidence" which persuaded the special master to find that Coleman had acted in complete good faith. However, this visual evidence was merely a demonstration via colored smoke tests of the amount of infringing air which was utilized in Coleman's economizer. This *physical* evidence was germane to the question of whether or not Coleman's chute-equipped economizers infringed Holly's patent and therefore violated the original injunction. It manifestly has no relevance whatever to the issue of good faith. Whether Coleman acted in good or in bad faith could have had no possible effect upon the amount of pink air which, during the visual tests, the trial court observed in Coleman's economizer. Furthermore, these tests were conducted during the *contempt* hearing, and the trial judge himself made it clear that good faith was not at issue then since "absence of wilfulness does not relieve from civil contempt" [R. 765; and see R. 1939].

Finally, the special master expressly refrained from passing upon Coleman's good faith with respect to sales made by Coleman *after* the original injunction was issued [Find. XXIV, R. 67]. Instead, the special master found, upon evidence relating to the pre-injunction period when all but \$182,851 of the aggregate \$7,635,062 infringing sales were made, that from the outset *until the injunction was originally issued* Coleman had acted in good faith. We therefore submit that the trial court's refusal to accept the special master's good faith finding "up to the date of the issuance of the injunction" [Find. XXIII, R. 67] may not be explained or condoned by reason of "visual evidence" *subsequently* introduced *during the contempt hearing*, and *a fortiori* so because the visual demonstrations of "pink air" have no logical bearing upon the good faith question.

#### IV.

#### Coleman's Principal Arguments on the Appeal From the Contempt Decree Have Not Been Considered.

Coleman has submitted a proposition which it deems platitudinously simple: its modified heater could not constitute contempt of the original injunction unless it infringed Holly's patent (Op. Br. 71-77). The trial judge himself acknowledged this fact when, during the contempt hearing, he volunteered the statement: "The burden is upon the plaintiff to prove, by a preponderance of the evidence, its contentions as to the infringement" [R. 764].

Holly, having this burden, offered *no* evidence that Coleman's heater, with chute, infringed. This Court is not asked to weigh *conflicting* evidence. There was, simply, *no* evidence that Coleman's modified heater infringed.

The sole testimony germane to this issue was the "visual evidence" [R. 766] quoted at page 12 of this Court's

opinion. This evidence demonstrated that the chute reduced by two-thirds the pink or infringing air in Coleman's economizer, so that, *under the trial court's own computation*, the modified heater (with chute attached) utilized *only two-thirds* of 14 percent or but 4.666% of pink air [R. 766]. *There was no testimony, however—*by visual demonstration, verbal testimony of expert witnesses, or otherwise—*that this small amount of air materially affected the efficiency of the modified heater.* Yet Holly's own counsel conceded during the contempt hearing that unless the amount of pink air entering Coleman's modified heater was sufficient to affect its efficiency, the rule *de minimis* would apply and the heater could not be held to infringe (or, perforce, to violate the injunction)—[see R. 710].

With no testimony to sustain its conclusion, the trial court simply announced—and this Court has accepted—the *non sequitur* that since the original quantity of pink or infringing air (14%) affected the efficiency of Coleman's original heaters, *ergo* one-third of that quantity must similarly have affected the efficiency of Coleman's modified heaters. Obviously it does not follow from the fact that a given quantity of a substance is a lethal dose that one-third of that quantity must also be. Nor can this fatal deficiency in Holly's proof be circumvented by characterizing as "an ineffective small piece of metal" and as a "gadget" a chute which undeniably reduced *by two-thirds* the quantity of pink air which had originally been adjudged to infringe. If this Court has found *any* evidence anywhere in the record that Coleman's *modified* heater infringed—that the mere 4.666% of pink air not excluded by its chute affected its efficiency in the least—we submit attention should be called thereto

in the opinion so that Coleman may know that this \$78,753.15 issue has been decided upon its merits.

Coleman's remaining contention on this issue is that *a motion for contempt is not a proper remedy* when there is fair ground of doubt as to infringement by the modified device, or as to the wrongfulness of the defendant's conduct (Op. Br. 74-75). We assume the Court did not conclude that the original decree of infringement also deprived Coleman of its right to defend its *modified* heater which had not come into existence until after the former appeal. And since Holly introduced no evidence tending to show that Coleman's modified heater utilized sufficient pink air to affect its efficiency, there was, to say the least, doubt whether the modified heater infringed. Therefore, the motion for contempt was not the proper procedure. The opinion does not even refer to this important contention.

## V.

### Coleman Has Not Attempted to Retry the Issues of Validity or Infringement.

Judge Ross insists that Coleman has attempted to retry the "two points" of validity and infringement (Opin. p. 6). Yet not one word in Coleman's briefs mentions or even bears upon the *validity* issue. Nor does the opinion suggest in what respect Coleman has sought to reargue the validity of Holly's patent. As for the *infringement* issue, the new evidence which Coleman stresses is clearly relevant with respect to the issues of damages and good faith; and it is with respect only to these new issues that the evidence has been urged upon the Court's consideration.

In this connection, although eventually Holly argued that Coleman was attempting to reopen the infringement issue,<sup>5</sup> it made no objection when evidence of the true amount of infringing air in Coleman's economizers was offered and received [Harmon, R. 529-559; Newton, R. 598-645]. Nor did it occur to the trial court that Coleman sought to relitigate the infringement issue, else the newly proffered evidence would have been rejected on this ground. Instead, this evidence was accepted by the trial court in an enormous down grading of the volume of infringing air previously found to exist [R. 734, 766, 1865] (Reply Br. 7-8).

Coleman's briefs have been reread to determine wherein they created Judge Ross's impression that retrial of the infringement issue was sought. No argument has been found in which Coleman contradicts any of the former evidence except in respects in which it bore directly upon issues which were before the Court for the first time, namely, the value of the use made of Holly's patent by Coleman (damages), and whether or not Coleman acted in good faith (punitive damages).

We submit the caustic criticism of Coleman, or, more accurately, of Coleman's counsel, in point "5" of the Court's opinion is not merited—as is all but conceded by the final two paragraphs on page 8.

### Conclusion.

The opinion fails to consider, upon their merits, the substantial points upon which this appeal was taken. In particular, there is no explanation as to why or in what

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<sup>5</sup>Even Holly has never suggested that Coleman at any time during the accounting trial or the instant appeal attempted to reargue the patent *validity* issue.

respects the evidence is sufficient to sustain an award of nearly \$2,000,000 in general damages, the opinion seeming to indicate that this primary problem is not in controversy and that the appeal relates solely to secondary issues of exemplary damages and damages for contempt. Assuredly Coleman is entitled to know whether the 1946 patent damage statute amendment has been considered by the Court, and, if so, why it is not determinative. Even if rehearing were denied, at least the opinion should be clarified to reveal the basis upon which the \$2,000,000 general damage award has been sustained.

We submit, too, that the existing opinion is defective in the other respects hereinbefore discussed—including its failure to correct the undenied \$20,265.98 mathematical error in the judgment computation.

It is respectfully requested that a rehearing be granted, and, because of the importance of the issues both to the instant litigants and also to the patent bar generally, that such rehearing be held *en banc*. In the alternative, it is requested that the opinion be clarified.

Respectfully submitted,

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## APPENDIX A.

### Certificate of Counsel

(Rule 23).

Raymond G. Stanbury, being first duly sworn, states that he is one of the attorneys for the defendant-appellant The Coleman Company, that the Petition for Rehearing, for Rehearing En Banc, and in the alternative for Clarification of the Court's opinion, is in his judgment well founded, and the same is not interposed for delay.

RAYMOND G. STANBURY

Subscribed and sworn to before me this 21st day of September, 1959.

MARY O. TERPENNING,

*Notary Public in and for Los Angeles County,  
State of California.*

My commission expires April 29, 1960.





No. 16142 ✓

IN THE  
**United States Circuit Court of Appeals**  
For the Ninth Circuit

RAYMOND PAE, also known as  
KEALOHAKALANI LIU,

*Plaintiff-Appellant,*

vs.

RUTH LEHUA STEVENS, SAMUEL STEVENS,  
also known as BOYD STEVENS, and  
KAM TAI LEE, TREASURER OF THE  
TERRITORY OF HAWAII,

*Defendant-Appellee.*

Appeal from the Supreme Court for the  
Territory of Hawaii

**APPELLEES' ANSWERING BRIEF**

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**No. 16142**

**IN THE**

**United States Circuit Court of Appeals**

**For the Ninth Circuit**

RAYMOND PAE, also known as  
KEALOHAKALANI LIU,

*Plaintiff-Appellant,*

vs.

RUTH LEHUA STEVENS, SAMUEL STEVENS,  
also known as BOYD STEVENS, and  
KAM TAI LEE, TREASURER OF THE  
TERRITORY OF HAWAII,

*Defendant-Appellee.*

**Appeal from the Supreme Court for the  
Territory of Hawaii**

**APPELLEES' ANSWERING BRIEF**

**JURISDICTIONAL STATEMENT**

This is an appeal from the Supreme Court of the Territory of Hawaii. The proceedings originated in the Circuit Court of the First Judicial Circuit where judgment was rendered in favor of the appellee, which judgment was affirmed on appeal to the Supreme Court of the Territory of Hawaii. After an appeal to this Court (No. 15498), the case was re-

manded to the Supreme Court for clarification. A hearing was duly had and the Supreme Court again affirmed the judgment for the appellee. The present appeal stems from this second decision of the Supreme Court of the Territory of Hawaii.

Jurisdiction of this Court derives from 28 U.S.C. 1293 as this is a civil case where the value in controversy exceeds \$5,000, exclusive of interest and costs.

## STATEMENT OF THE CASE

The facts of this case are set out in, and the Court is referred to, *Pae v. Stevens*, No. 15498 (9 Cir., Feb. 18, 1958).

## QUESTIONS PRESENTED

1. Whether the statutory requirement of exhaustion of remedies is a condition precedent or an affirmative defense?
2. Whether other remedies for the recovery of his land were available to appellant?
3. Whether appellant had exhausted his remedies?

## ARGUMENT

### I

**THE COURT MAY MODIFY THE JUDGMENT OF THE  
SUPREME COURT OF HAWAII ONLY IF IT IS  
MANIFESTLY ERRONEOUS.**

The question on appeal is whether the judgment of the Supreme Court of the Territory of Hawaii is manifestly erroneous so as to require this Court to disturb that judg-



ment. This rule, governing appeals of this nature, was set by the Supreme Court of the United States in *Waialua Agricultural Co. v. Christian*, 305 U.S. 91, 59 S. Ct. 21 (1938); rehearing denied, 305 U.S. 673, 59 S. Ct. 240; at page 109:

"It is true that under the appeal statute the lower court had complete power to reverse any ruling of the territorial court on law or fact; but we are of the opinion that this power should be exercised only in cases of manifest error. . . . In so far as the decisions of the Supreme Court of Hawaii are in conformity with the Constitution and applicable statutes of the United States and are not manifestly erroneous in their statement or application of governing principles, they are to be accepted as stating the law of the Territory. Unless there is clear departure from ordinary legal principles, the preference of a federal court as to the correct rule of general or local law should not be imposed upon Hawaii."

This rule has been followed by this Court in *Pioneer Mill Co. v. Victoria Ward*, 158 F.2d 122 (9 Cir. 1946), cert. den., 330 U.S. 838, 67 S. Ct. 979, and more recently in the prior appeal of this case. *Pae v. Stevens*, No. 15498 (9 Cir. Feb. 18, 1958).

There are no issues relating to the Constitution of the United States or to the laws of the United States. The issues are matters solely of local law, more specifically section 342-99 of the Revised Laws of Hawaii 1955 (section 5099, Revised Laws of Hawaii 1935, at the time of the commencement of this suit). Section 342-99 provides in part as follows:

"*Actions for compensation for fraud, mistake, etc.*  
Any person who, without negligence on his part,

sustains loss or damage, or is deprived of land or of any estate or interest therein, after the original registration of land under this chapter, by the registration of any other person as owner of such land, or of any estate or interest therein, through fraud, or in consequence of any error, omission, mistake or misdescription in any certificate of title or in any entry of memorandum in the registration book, may bring and prosecute an action of contract in the circuit court for the recovery of compensation for such loss or damage or for such land or estate, or interest therein; provided, that when the person deprived of land or of any estate, or interest therein, in the manner above stated, has a right of action or other remedy for the recovery of the land or of the estate, or interest therein, he shall exhaust the right of action or other remedy before resorting to the action of contract herein provided. . . ."

This statute was the legal basis for the cause of action that appellant instituted. It was by measuring the facts to these same provisions that the Supreme Court of the Territory of Hawaii decided that appellant was not entitled to recover compensation for the loss of his interest in parcel 1 from appellee, Kam Tai Lee, Treasurer of the Territory of Hawaii. We submit that this judgment is not only not manifestly erroneous but the only proper one that that court could have rendered under the circumstances of both law and fact.

The Hawaii Supreme Court agreed with this Court that the common law rule of consensual incapacity of minors did apply to the statutory cause of action set out above and thus ruled that appellant could not be bound by his negligence in pursuing this contract action. At the same time, however, the Court reaffirmed its position that appellant was required, by statute, to exhaust his other remedies, and,

not having done so, was thus not entitled to compensation. Just as this Court found the common law rule of consensual incapacity of minors applicable to the cause of action provided in section 342-99, the Hawaii Supreme Court found that the said common law rule applied to transfers of registered land, thus concluding that appellant, then a minor, could have rescinded the transaction and recovered his land from his immediate purchasers.

## II

### THE EXHAUSTION OF THE RIGHT OF ACTION OR OTHER REMEDY REQUIRED BY SECTION 342-99, REVISED LAWS OF HAWAII 1955, IS A CONDITION PRECEDENT TO THE ACTION OF CONTRACT PROVIDED THEREIN.

Section 342-99, Revised Laws of Hawaii 1955, provides in part:

" . . . that when the person deprived of land or of any estate, or interest therein, in the manner above stated, has a right of action or other remedy for the recovery of the land or of the estate, or interest therein, he shall exhaust the right of action or other remedy *before resorting* to the action of contract herein provided. . . ." (Emphasis supplied.)

It is of utmost importance to always bear in mind, in the consideration and resolution of the issue before us, the fact that we are here dealing with a statutory cause of action. Since the statute creates the right of action, all conditions attached to that right must be satisfied before one can avail himself of the right of action.

Although what is here involved is a matter of construction of a specific statute, the following discussion of cases dealing with similar statutes is submitted as an indication of what disposition was made by other courts in similar circumstances to provide an understanding of the problem and guidance to this Court.

In *Jensky v. State Board of Equalization*, 155 P. 2d 87 (1945) the court was faced with the question of whether plaintiffs-appellants had to exhaust administrative remedies before having recourse to the courts. The applicable California statute (Sec. 46, Stats. 1937) provided in part as follows:

**"The person affected by any ruling, order or decision of the board \* \* \* on suspension or revocation of a license may, *after exhausting the remedies such person may have with, the board*, and within thirty days after *final* action by the board, file an action in the superior court of California in and for the county of Sacramento."**

On page 89, the court said:

**". . . In its present form as above stated it plainly provides that only after exhausting the remedies such person may have with the board, and after *final* action by the board, may an action be filed in the superior court."**

And to make its position clearer the court added in the following paragraph on the same page:

**"Appellants' complaint entirely fails to show that before filing this action they filed any written objections to the findings or any petition for a reconsideration by the board, or that any hearing de novo by such board was ever asked or had. On the contrary, the allegation of the complaint that said order**

has no support whatsoever 'under the testimony and evidence submitted to and received by said representative of said board,' indicates that no resort to the board itself for a hearing was had, and that said matter was not heard de novo by it, but that its order which appellants seek to have reviewed by the court was based solely upon the findings of its representative before whom the hearing was had pursuant to section 41 of the Act. Plainly, then, appellants failed to show that they had complied with the very requirements of section 46, that before filing an action in the superior court they must have exhausted their remedies before the board, and the action of the board must have become final."

Accordingly, the court found that appellants could not institute an action for judicial relief.

In *United States v. Felt & Tarrant Co.*, 283 U.S. 269 (1931) the Supreme Court was called upon to review a judgment allowing plaintiff a recovery of income and excess profit taxes alleged to have been illegally exacted. The sole objection to the recovery was that there was not compliance with section 1318 of the Revenue Act of 1921, 42 Stat. 314, which provided that:

" 'no suit . . . shall be maintained in any court for the recovery of any internal-revenue tax alleged to have been . . . illegally . . . collected . . . until a claim for refund or credit has been duly filed with the Commissioner of Internal Revenue, according to the provisions of law in that regard, and the regulations of the Secretary of the Treasury. . . . ' "

The Court found that there was not compliance with this provision and thus reversed the judgment below. The Court said at page 272:

"The filing of a claim or demand as a prerequisite to a suit to recover taxes paid is a familiar provision of the revenue laws, compliance with which may be insisted upon by the defendant, whether the collector or the United States. [citations.]"

And on page 273:

"... Even though formal, the condition upon which the consent to suit is given is defined by the words of the statute, and 'they mark the conditions of the claimant's right.' *Rock Island R.R. v. United States*, 254 U.S. 141, 143. Compliance may be dispensed with by waiver, as an administrative act, *Tucker v. Alexander, supra*; but it is not within the judicial province to read out of the statute the requirement of its words. *Rand v. United States*, 249 U.S. 503, 510."

*Ertle v. United States*, 93 F. Supp. 619 (Ct. of Claims, 1950) draws into a finer focus the holding of the *Felt & Tarrant Co.* case. This was a suit to recover taxes allegedly paid under protest. Defendant demurred. The court addressed itself to the same section of the Internal Revenue Code, then section 3772 of Title 26 of the United States Code (presently 26 U.S.C. 7422). The court said:

"The petition, however, does not allege that plaintiffs or any of them at any time filed a claim for refund of the amount of the tax penalty." p. 619.

"We have no choice but to sustain the demurrer. The provision of the statute is plain. The filing of a claim for refund is an essential condition to the maintenance of a suit to recover amounts claimed to have been illegally collected. [citations]" p. 620.

The same intimation that the condition precedent must be pleaded by plaintiff appears in *Red Wing Malting Co.*

v. *Willcuts*, 15 F.2d 626 (8 Cir. 1926) cert. den. 273 U.S. 763, 47 S.Ct. 476. The court (it appears from the context) was presumably referring to the same statute when it said:

" . . . It does not appear from the record that any claim under subsection (4) for refund covering the loss of good will as a sustained loss during the taxable year was presented to the Commissioner of Internal Revenue prior to bringing this action, and a refund requested. The application for refund does not appear in the record. Such application is a condition precedent to the jurisdiction of this court in matters of this character. . . ." p. 634.

The *Felt & Tarrant Co.* case has been construed to mean "that a claim for refund which sets forth all the material facts which from the basis of the action to be brought is an essential *condition precedent* to the right to recover by suit." *Ronald Press Co. v. Shea*, 114 F.2d 453,455 (2 Cir. 1940). Other cases which have likewise put a similar interpretation on the language of section 7422 of Title 26 U.S.C. are,

*Scovill Manufacturing Company v. Fitzpatrick*,  
215 F. 2d 567, 569 (2 Cir. 1954)

*Bryan v. United States*,  
99 F. 2d 549, 552 (10 Cir. 1938) cert. den.  
305 U.S. 661, 59 S.Ct. 364

*Lynch v. Rogan*,  
50 F. Supp. 356, 357 (S.D. Calif. 1943)

See *Harvey v. Early*,  
160 F. 2d 836, 838 (4 Cir. 1947).

In *Rock Island, Arkansas & Louisiana Railroad Company v. United States*, 254 U.S. 141 (1920) the court was faced with the same problem. A claim had been filed in the Court of Claims for the recovery of taxes paid. The court dismissed the petition on the grounds that claimant had not complied

with that section of the law that no suit for the recovery of taxes shall be maintained in any court "until appeal shall have been duly made to the Commissioner of Internal Revenue, according to the provisions of law in that regard, and the regulations of the Secretary of Treasury established in pursuance thereof, and a decision of the Commissioner has been had therein: . . . ' " Rev. Stats., sec. 3226, amended by Act of February 27, 1877, c. 69, sec. 1, 19 Stat. 248. The judgment of the court below was affirmed, and the Court, speaking through Mr. Justice Holmes, said:

"Men must turn square corners when they deal with the Government. If it attaches even purely formal conditions to its consent to be sued those conditions must be complied with. *Lex non praecepit inutilia* (Co. Lit. 127*b*) expresses rather an ideal than an accomplished fact. But in this case we cannot pronounce the second appeal a mere form. On appeal a judge sometimes concurs in a reversal of his decision below. It is possible as suggested by the Court of Claims that the second appeal may be heard by a different person. At all events the words are there in the statute and the regulations, and the Court is of opinion that they mark the conditions of the claimant's right. . . ." p. 143.

In the federal tax cases, (except the *Rock Island Railroad* case), the condition precedent of having to file a claim for refund or credit is stated in the following language: "until a claim for refund or credit has been duly filed . . ." no suit shall be maintained.

In the California *Jensky* case, the governing language was: "after exhausting the remedies such person may have with the board," the person may file an action.



In this appeal, the corresponding provision states: "before resorting to the action of contract . . . he shall exhaust the right of action or other remedy . . . ."

The sense of each of these three provisions is that something must be done before the actions respectively provided for therein can be maintained. The only differences are of sentence structure and the use of three different prepositions, "until," "after," and "before," respectively. If the language of the first two instances is said to make the filing of a claim or the exhaustion of remedies conditions precedent to the filing of an action, then also must exhaustion of remedies as required in the third instance, more specifically as in section 342-99, Revised Laws of Hawaii 1955, be a condition precedent to the maintaining of the action in contract provided in the same section of the laws.

Underlying this requirement of exhaustion of remedies is the policy that this action of contract should serve only as an alternative and secondary avenue of obtaining relief. This is the policy which is reflected in the extended period of limitations for this action in contract when an action for the recovery of land is initially instituted. Section 342-104, Revised Laws of Hawaii 1955. This is the policy that prompted the inclusion of the last sentence of section 342-99, which states:

**"If the plaintiff elects to pursue his remedy in tort, and also brings an action of contract under this chapter, the action of contract shall be continued to await the result of the action of tort."**

This sentence then, in turn, points up the fact, that, while simultaneity of actions was a possibility appreciated by the legislature and permitted under these special circumstances,

the preceding portion of section 342-99 dealing with exhaustion of rights and remedies "before resorting to the action of contract" meant exactly what was said: that before one could maintain the statutory action of contract, he was required to fulfill the condition precedent to exhausting his rights and other remedies for recovery of his lands.

By section 342-100, Revised Laws of Hawaii 1955, the Treasurer of the Territory is made the party defendant. This, coupled with the fact that payments in satisfaction of any judgment may have to be paid from the general fund of the Territory (section 342-101, RLH 1955) instead of from a special assurance or indemnity fund limited to this purpose, in effect, makes the cause of action of contract provided for in section 342-99, one against the Territory itself. Under such circumstances the thinking of the United States Court of Appeals for the Tenth Circuit as expressed in *Bryan v. United States, supra*, is especially appropriate.

"Immunity from suit is an attribute of sovereignty. The United States can only be sued by its own consent clearly given by legislative act. When Congress gives its consent to be sued it does not grant a right, but merely accords a privilege. Statutes granting the right to sue the United States are to be strictly construed. Congress may impose such conditions and restrictions on the right to sue the United States as it deems proper. A suit may not be maintained against the United States in any case not clearly within the terms of the statute by which it consents to be sued. The courts cannot go beyond the letter of such consent." 99 F. 2d at p. 552.

## III

APPELLANT, BEING A MINOR, COULD HAVE RECOVERED THE LAND TRANSFERRED DURING HIS MINORITY TO JORDAN AND CARRIE FREITAS, ASSUMED TO BE BONA FIDE PURCHASERS FOR VALUE, BECAUSE OF THE PROTECTION AFFORDED MINORS IN MATTERS OF CONTRACT.

The Hawaii Supreme Court determined that appellant could have recovered the land he owned from Jordan Freitas and Carrie Freitas even if they were bona fide purchasers for value.

In Hawaii, the common law rule that infants are protected in matters of contract applies. (*Rathburn v. Kaio*, 23 Haw. 541 (1916); *Jellings v. Pioneer Mill Co.*, 30 Haw. 184 (1927); *McCandless v. Lansing*, 19 Haw. 474 (1909); *Kekai v. Waipio Limalau*, 16 Haw. 464 (1905).) The *Rathburn* case has already been accepted by this Court for this proposition. (See *Pae v. Stevens*, No. 15498 (9 Cir. Feb. 18, 1958).)

In *McCandless v. Lansing*, *supra*, X, stating that she was born on June 17, 1881, conveyed the land in dispute to defendant on September 18, 1901. On April 22, 1907, X again conveyed the same piece of land by quitclaim deed to the plaintiff. The facts showed that X was born in 1886. (By section 330-1, Revised Laws of Hawaii 1955, majority is set at age 20.) Upon being satisfied that the disaffirmance of the first deed by X was done within a reasonable time, the court ordered a verdict for plaintiff.

In *Jellings v. Pioneer Mill Co.*, *supra*, the court said at page 186:

"The deed of a minor, it is well settled, is voidable and not void and may be avoided by the grantor, after reaching majority, by some act of disaffirmance."

That this common law rule should govern the question of availability of remedies in this instance is mandated by the law. Section 1-1, Revised Laws of Hawaii 1955 (then section 1, Revised Laws of Hawaii 1935), provides as follows:

"Sec. 1-1. *Common law of Territory; exceptions.* The common law of England, as ascertained by English and American decisions, is declared to be the common law of the Territory of Hawaii in all cases, except as otherwise expressly provided by the Constitution or laws of the United States, or by the laws of the Territory, or fixed by Hawaiian judicial precedent, or established by Hawaiian usage; provided, that no person shall be subject to criminal proceedings except as provided by the written laws of the United States or of the Territory."

This Court, in its previous consideration of this case, stated:

"Under the common law, based upon feudal antecedents, the consensual incapacity of a minor was absolute, except as to a contract for necessities. In land law, the doctrine has never been relaxed in any jurisdiction where the common law has been adopted. Indeed, the theory has affected other branches of the law where the interests of minors have been brought in question." *Pae v. Stevens*, *supra*, p. 6.

On the appropriateness of applying the common law rule, this Court ruled thusly:

"The statute of Hawaii which sets out the sources of law of the jurisdiction expressly declares that the common law of England is the common law of the Territory of Hawaii in all cases 'except as otherwise expressly provided' by (1) the Federal Constitution, (2) statutes of the Territory of Hawaii, (3) Hawaiian judicial precedent or Hawaiian usage. No federal rights or issues arising from the Constitution or laws of the United States are here present. The Supreme Court of Hawaii refers to no usage of the Islands, which affects the disposition of the case at bar. Furthermore, no instance is quoted or cited to us where the judges have heretofore filled in lacunae in the law upon the subjects under consideration. Therefore, except as expressly otherwise provided, this statute is to be construed in the light of the common law. Furthermore, since the Torrens Land Registration Law was originated in Australia and has been adopted in several states of the Union in a common law atmosphere, the adoption of this test is normal and appropriate." *Pae v. Stevens*, *supra*, pp. 5, 6.

This comment is appropriate in this determination of the issue now before the Court. The Hawaii Supreme Court has this time "quoted or cited where the judges have heretofore filled in lacunae in the law upon the subject[s] under consideration." It has cited cases (*Jellings v. Pioneer Mill Co.*, *supra*; *McCandless v. Lansing*, *supra*) showing that the common law rule of consensual incapacity of minors prevails in Hawaii and that there has been no relaxation of this rule in land matters in Hawaii.

The statutes in Hawaii governing the transfer of registered land do not "expressly provide otherwise," i.e. the common law rule of consensual incapacity of minors is not expressly made inapplicable to the conveyancing of registered land.

Appellant on page 8 of his opening brief states that because section 342-55, Revised Laws of Hawaii 1955, does not mention infancy as a ground for avoiding a subsequent registration of land while mentioning forgery, minority is thus not grounds for avoiding a conveyance of a minor of registered land. The conclusion is not sound, nor its espousal convincing. In the first appeal to this Court, appellant loudly championed the rule that in pursuing a statutory cause of action provided for in Hawaii's land registration act a minor was excepted from the provision of non-negligence required of persons pursuing the remedy set out in section 342-99, Revised Laws of Hawaii 1955, even though minors were not expressly excepted therefrom. With this, this Court was in agreement, determining that the common law rule of consensual incapacity of minors which prevails in Hawaii was engrafted to and thus was a part of the land registration act. In this instance, there is no statutory language providing for the removal from the field of conveyancing of registered land of the rule of consensual incapacity of minors. Section 1-1, Revised Laws of Hawaii 1955, requires that the common law apply unless there be judicial precedent or Hawaiian usage to the contrary or unless the statute expressly provides otherwise. Appellant does not cite any precedent or usage to the contrary. On the other hand, the Court has amply demonstrated that common law rule does apply in Hawaii. Appellant merely invokes a rule of construction which is subordinate to the statutory requirements of said section 1-1 (App. Op. Br. 8). The attention of the Court is directed to its opinion in the prior appeal where it is stated:

**"Furthermore, no instance is quoted or cited to us where the judges have heretofore filled in lacunae**

in the law upon the subjects under consideration. Therefore, except as expressly otherwise provided, this statute is to be construed in the light of the common law. Furthermore, since the Torrens Land Registration Law was originated in Australia and has been adopted in several states in the Union in a common law atmosphere, the adoption of this test is normal and appropriate." *Pae v. Stevens*, *supra*, pp. 5, 6.

Niblack, in his *An Analysis of the Torrens System of Conveying Land* (1912), states on page 269:

"Where other remedies are not specially provided, the remedies under the general law will be applied to rights in registered land. It has been held that there is a right to distrain for rent of registered land. The mere fact that a Torrens act does not declare in express words that a registration of title procured by fraud may be set aside as between the parties, does not deprive a court of equity of its general jurisdiction to protect parties from the consequences of fraud."

Similarly here, although the statute does not expressly say that a subsequent registration may be set aside because of the infancy of the transferor, a court in the exercise of its equity powers may rescind such a transfer, especially in view of the fact that in Hawaii the common law rule of consensual incapacity of infants is, by express statute, engrafted in all situations unless otherwise expressly provided.

This result is an application of a principle not original in land registration history. *Gibbs v. Messer*, 1890, A.C. 248, House of Lords and Privy Council, announced this principle, that, in the words of the Hawaii Supreme Court (*Pae v. Stevens*, Oct. Term 1957, No. 3025, Advance Sheets, pp. 9, 10) the title of a grantee of registered land under a defective

conveyance is not indefeasible, although such conveyance may become the root of an indefeasible title in a subsequent bona fide purchaser for value without notice. The opinion in *Gibbs v. Messer, supra*, p. 255, states:

"Those who deal, not with the registered proprietor, but with a forger who uses his name, do not transact on the faith of the register; and they cannot by registration of a forged deed acquire a valid title in their own person although the fact of their being registered will enable them to pass a valid right to third parties who purchase from them in good faith and for onerous consideration."

The opinion (at pp. 257, 258) further states that:

"Although a forged transfer or mortgage, which is void at common law, will, when duly entered on the register, become the root of a valid title, in a bona fide purchaser by force of the statute, there is no enactment which makes indefeasible the registered right of the transferee or mortgagee under a null deed."

Here we see the privy council not only (1) engrafting to the law of conveyancing of registered land a common law rule, but also (2) announcing the principle that where there is no statute making a pronouncement to the contrary, a title registered pursuant to a null deed is not indefeasible. We are here dealing not, to be sure, with a void deed, but with a voidable one, but the same conclusion that the title registered in the Freitas is not indefeasible should follow, if the deed were avoided, as there is no statute in Hawaii making a title registered under a voidable deed indefeasible.

Niblack, *ibid.*, in commenting on this case says on page 201:



"A person about to deal with a registered title, and about to be registered as a new owner of an estate or interest in land, must ascertain at his own peril the existence and identity of the registered owner under whom he is to be registered, *the authority of any person to act for him, and the validity of the transfer under which he is to claim.*" (Emphasis supplied.)

Another authority states that:

"While recognizing that the grantee named in a forged deed purporting to be signed by the owner of registered land may convey a good title to an innocent purchaser for value, the courts in England and Canada have held that the original transferee under such a forged deed acquires no rights to the land as against the true owner, even though he is not aware that the deed to him was forged. Furthermore one who takes from such a transferee with knowledge that the deed to his grantor was forged also gets nothing. This view has been taken even though the fraud is made possible by the action of the registered owner in entrusting his certificate of title to the forger, the courts taking the position that the original transferee under the forged instrument gets no rights under the Land Registration Act unless he makes certain that the conveyance to him is genuine." 42 A.L.R. 2d, § 4[b], pp. 1392, 1393.

Now appellant in arguing, (App. Op. Br. 9, 10), that in Hawaii registered title is indefeasible, cites three cases in support of the conclusion that therefore in this instance the title of the Freitas should be likewise indefeasible as against appellant. The cases are inapposite. *United States v. Fullard-Leo*, 156 F. 2d 756 (9 Cir. 1946), aff'd 66 F. Supp. 774, aff'd 331 U.S. 256, 67 S. Ct. 1287, merely deter-

mined that once an interested party disclaims any interest in the land being registered, he is thereafter barred from claiming an interest therein. *Akagi v. Oshita*, 33 Haw. 343 (1935) merely held that a purchaser of registered land took free and clear of an unregistered lease when he was not aware of the lessee's possession of the premises. *Land Title, Bishop Trust*, 35 Haw. 816 (1941) represents an application of section 342-42, Revised Laws of Hawaii 1955, where it is expressly provided that "every subsequent purchaser of registered land who takes a certificate of title for value and in good faith, shall hold the same free from all encumbrances except those noted on the certificate" and certain other statutory ones which are here not relevant. The word "encumbrance" is defined in 42 C.J.S. at page 549 as a "right to, or interest in, the land which may subsist in third persons, to the diminution of the value of the land, but consistent with the passing of the fee by the conveyance." This is the ordinary meaning and that this meaning was intended in the use of the word "encumbrance" is substantiated by the kind of encumbrances enumerated and denominated as such in the later portions of the same statute. (See section 342-42, Revised Laws of Hawaii 1955.) A disability on the part of the owner, such as minority, which brings about an incapacity to convey is not an encumbrance. It is not "consistent with the passing of the fee"; it is grounds for the complete negation of the conveyance. Furthermore, in a certificate of title the age of the owner, if a minor, is not noted in the place designated for encumbrances. (See Exhibits "H" and "I", Record on Appeal, pp. 64-67.)

Appellant takes exception (App. Op. Br. 10-12) to the following observation of the Supreme Court:

"In this case, the certificate of title issued to the plaintiff stated a good title. The Freitaszes bargained for that title. They did not obtain what they bargained for because the instrument of conveyance was defective, not because the title stated in the certificate was defective. The burden of obtaining an indefeasible conveyance by an appropriate deed was upon the Freitaszes. The fact that the certificate of title did not contain a notation of plaintiff's age did not make the conveyance the act of a person of full capacity." *Pae v. Stevens*, Hawaii Supreme Court, Oct. Term 1957, No. 3025, Advance Sheets, p. 10.

That the burden of obtaining a good conveyance was on the Freitaszes is settled by *Gibbs v. Messer*, *supra*, and *Niblack* as mentioned hereinabove. (See pp. 17-19 of this brief.) It is also clear that the notations required on a certificate of title are not all that are necessary to insure an indefeasible conveyance and are not intended to certify such indefeasibility to the prospective purchaser. There is no requirement for the notation of a disability other than minority. Because of this, it surely cannot be said that a conveyance of one who is, following the lead of this Court (see *Pae v. Stevens*, No. 15498 (9 Cir. Feb. 18, 1958) p. 9), "a hopeless idiot of full age" is not voidable. To say otherwise would mean the complete reversal of the common law protection which the courts zealously afford those suffering from a disability, and also contrary to the land registration act's purpose of protecting persons under a disability. (See *Pae v. Stevens*, No. 15498 (9 Cir. Feb. 18, 1958).)

The indefeasibility of registered title so strongly espoused by appellant and urged as determinative of the appeal is neither correctly understood nor applied. What the land registration act makes indefeasible is the state of title as

noted in the certificate and not the transfer of such title. This is clearly shown by the discussion under section 168 of Niblack's treatise. (Niblack, *ibid.*, pp. 261-264.) Some of the highlights are:

"... the courts have held that where he (registrar) registers a transfer of registered land from the last registered owner, or where he notes on a certificate a mortgage or lien, his functions are not necessarily judicial, but are ministerial, executive, quasi judicial and discretionary, and incidental to the issue of a new certificate, and to the noting of the mortgage or lien, and that his decision in such matters is not conclusive, but may be litigated in any proper manner." p. 261.

"When a ministerial officer acts in a quasi judicial manner, his action is not an adjudication, and is not conclusive on the rights of the parties concerned. At most it may be *prima facie* correct, for there may be presumption that he performed his duty properly in the premises. It may be set aside in all cases where, in pleading and in evidence, specific acts of fraud, or particular errors and mistakes are shown to have affected it." p. 262.

"The statutes declare that a certificate is conclusive evidence of an indefeasible title in all courts and in all places, but a certificate issued on the transfer of registered land must present the adjudication by the registrar on the rights of all interested persons in order to attain this statutory force and effect. In this country a certificate issued on the transfer of registered land presents, not an adjudication by, but merely the discretionary action of, the registrar, which can be only *prima facie* binding on persons interested, notwithstanding the statutory declaration of indefeasibility of title." p. 263.

It must be borne in mind throughout this entire discussion that we are here dealing with an immediate and not a sub-

sequent purchaser; the former is considered not as deserving of protection as is the latter and is accordingly left more insecure in his dealings. In the case of forgery, an immediate purchaser is not protected as is a subsequent purchaser. Niblack, in his *An Analysis of the Torrens System of Conveying Land* (1912) (pp. 200, 201), states where a person is registered as a result of a forgery, his registration is null and void, but such registration may be the root of a valid title. This is the system that apparently prevails in Hawaii. (Section 342-38, RLH 1955; Niblack, *ibid.*, p. 210.) Accordingly, the Freitaszes could have been required to relinquish their title to the disputed land in favor of the appellant, a minor.

#### IV

#### PLAINTIFF-APPELLANT FAILED TO MEET THE CONDITION PRECEDENT TO THE ACTION OF CONTRACT AND THEREFORE CANNOT AVAIL HIMSELF OF THIS FORM OF RELIEF.

Appellant failed to meet the condition precedent to the action of contract and therefore cannot avail himself of this form of relief.

The conditions attached to the right of the action of contract provided for in section 342-99 must be met before plaintiff can follow this avenue of relief. This section unequivocally requires that all other rights of action and remedies for the recovery be exhausted. This means that actions for recovery must be instituted and followed through to their conclusion. This requirement is not satisfied merely by an appraisal by the one deprived of land of his chances of succeeding in an action for such recovery and a determination

by him that such suit would be futile. As was said by the Supreme Court in the *Felt & Tarrant* case,

"The necessity for filing a claim such as the statute requires is not dispensed with because the claim may be rejected. It is the rejection which makes the suit necessary. An anticipated rejection of the claim, which the statute contemplates, is not a ground for suspending its operation. Even though formal, the condition upon which the consent to suit is given is defined by the words of the statute, and 'they mark the conditions of the claimant's right.'" 283 U.S. at p. 273.

This same thought was expressed by Mr. Justice Holmes in the *Rock Island Railroad Company* case:

"Men must turn square corners when they deal with the Government. If it attaches even purely formal conditions to its consent to be sued those conditions must be complied with. . . . At all events the words are there in the statute and the regulations, and the Court is of opinion that they mark the conditions of claimant's right." 254 U.S. at p. 143.

See also *Harvey v. Early*, *supra*, at page 838.

Appellant did not pursue any action for the recovery of his land. His complaint inferentially admits this. (See par. XV of Complaint, Tr. of Rec. p. 10.) It was further stipulated by appellant and the appellee that,

"Plaintiff [appellant] has not brought any action in any court for the purpose of cancelling or rescinding or attempting to cancel or rescind either the deed or Transfer Certificate of Title No. 21247 to Jordan Freitas and Carrie Freitas." (Tr. of Rec. p. 35.)

His conduct falls short of the requirement of having to exhaust his other remedies, the fulfillment of which was a prerequisite to his action of contract and recovery thereon. The condition precedent not having been satisfied, appellant clearly had no right to recover compensation for his loss from the Treasurer of the Territory of Hawaii.

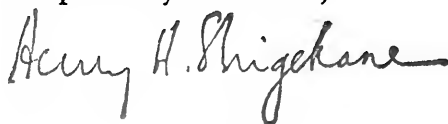
### CONCLUSION

The appellant was required by statute to pursue and exhaust other remedies for the recovery of his land before instituting a suit against the Treasurer of the Territory of Hawaii for compensation for the loss of his land. The Hawaii Supreme Court ruled that there was a remedy available to appellant because of his minority at the time of the transfer which effected the loss he suffered. It is indisputably clear that appellant did not attempt to recover his land.

Under these circumstances, the Hawaii Supreme Court was constrained to affirm the judgment of the lower court denying appellant any compensation. Manifest error does not pervade this judgment. Therefore, we respectfully urge this Court to affirm the judgment below.

DATED: Honolulu, Hawaii, September 22, 1958.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Henry H. Shigekane". The signature is fluid and cursive, with a long horizontal stroke at the end.

HENRY H. SHIGEKANE  
Deputy Attorney General  
Territory of Hawaii





IN THE  
SUPREME COURT OF THE STATE OF CALIFORNIA  
IN AND TO THE COURTS

THE PEOPLE OF THE STATE OF CALIFORNIA,

Respondent,

vs.

THE PACIFIC COAST LUMBER CO., a corporation,

Appellant.

APPELLANT'S OPENING BRIEF.

FILED

APR 16 1903

CLAUDE W. BENTLEY, CLERK.

Wm. A. G. GIBSON,  
Attorney at Law,  
San Francisco, California,  
Counsel for Appellant.



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No. 16,143

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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AETNA STEEL PRODUCTS CORPORATION,

*Appellant,*

*vs.*

SOUTHWEST PRODUCTS Co., a corporation,

*Appellee.*

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## APPELLANT'S OPENING BRIEF.

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This is an appeal by defendant from a judgment and decree of the District Court for the Southern District of California, Central Division [R. 174]. The cause of action as stated in the Complaint [R. 3] is one for alleged infringement of Potter patents Nos. 2,626,841 and 2,724,172 for a bearing and its method of manufacture. Plaintiff is a California corporation and owns the patents. Defendant is a New York corporation and owns and operates Kahr Bearing (as a Division) in Burbank, California. Jurisdiction of the trial court arises under 28 U.S.C. §1338, and the Patent Laws Title 35 U.S.C.

Defendant's Answer [R. 6] and First Amended Answer [R. 79] denied validity and infringement of the

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\*Appellant shall be referred to herein as defendant; references to the printed record are identified as R. followed by the page number.

Potter patents in suit and asserted affirmative defenses. A Pretrial Conference Order was entered October 28, 1957 [R. 28] and then vacated because plaintiff filed 106 Requests for Admissions on November 11, 1957. Defendant moved for Summary Judgment December 12, 1957 [R. 42] and this was denied December 30, 1957. A new Pretrial Conference Order was entered February 24, 1958 [R. 85].

After twelve days of trial and argument the Trial Court held both Potter patents valid and that defendant infringed claims 1 and 2 of patent No. 2,626,841 and claims 1, 2, 3, 4 and 6 of patent No. 2,724,172.

### **JURISDICTION.**

Jurisdiction to review the judgment and decree of the District Court is conferred by 28 U.S.C. §1291. The judgment and decree was entered on June 12, 1958, and Notice of Appeal filed by defendant June 13, 1958. The appeal was timely taken in accordance with Rule 73 of the Federal Rules of Civil Procedure (28 U.S.C. Rule 73(a)) and the Rules of this court.

### **STATEMENT OF THE CASE.**

By its complaint, plaintiff charged the defendant with infringement of Potter Patent 2,626,841 (allegedly covering a bearing) and of Potter Patent 2,724,172 (allegedly claiming the method of making the bearing covered by the first patent). The bearings are what are known as self-aligning bearings; they consist of a ball and an outer race in which the ball is rotatably held. There is no question but that these two elements are old, both individually and in combination. Your Honors will recall that practically every C clamp has at one end thereof a ball retained in a spherical socket, the ball being provided with a foot

so that the C clamp can exert its pressure through the ball bearing onto the material being clamped. A glance at Fig. 7 or 8 of the expired Fiegel patent 1,693,748 [Exh. D, R. 1368], shows that two-piece bearings consisting of an outer race and an inner ball are old. The functional relationship between ball and race is the same in the prior art bearings and in the bearing shown in the Potter patents.

Your Honors are familiar with bearings and affirmed a judgment holding a bearing patent invalid *n.o.v.* in *Stallman v. Casey Bearing Company, Inc.*, 244 F. 2d 905 (No. 15328). The Stallman patent was for a needle-type bearing, while here we have a simpler and older bearing consisting only of the outer race ring and a central rotatably held ball with a hole in it.

As in all bearings, there must be a suitable clearance, tolerance or play between the race and the ball to permit movement without excessive friction or without excessive play. As in the *Stallman* case, the specification and claims of the patents here in suit do not disclose what the clearance tolerance or play should be. If this clearance is critical, then the claims do not define it except by stating it is sufficient to permit the smooth rotation, as in all bearings ever made.

Attention is drawn to the failure of the patents to specify a given clearance because plaintiff has built a false issue around clearance. It is false because it is not stated in the claims.

“It is the claim, of course, which measures the grant to the patentee” (citing cases) *Stallman v. Casey Bearing Company, Inc.*, *supra*.

The trial of the case consumed twelve days. During the trial, plaintiff introduced voluminous testimony and a great

number of unnecessary exhibits pertaining to the manufacture and sale of bearings by plaintiff allegedly made per the patents. Such evidence was irrelevant, immaterial and unnecessary because the Pretrial Order included admissions that plaintiff had commercially made and sold bearings made in accordance with both of the patents prior to October, 1951. [Admitted facts, R. 997]. Plaintiff's counsel conceded that there was no question about the prior manufacture and use of the bearings by the plaintiff.

"The Court: He claims that the product was made and used more than one year prior to the date of the filing of the patent.

Mr. Lyon: That is conceded. There is no issue on that.

The Court: Made and sold?

Mr. Lyon: Made and sold." [R. 200.]

Since the manufacture, sale and use of the bearings in accordance with the patents here in suit prior to October, 1951 (which is more than one year prior to the date of the filing of the second Potter patent) was conceded and "there is no issue on that," then, obviously, all of the testimony and exhibits pertaining to the various sales made prior to 1951 should not burden the record unnecessarily. The second Potter patent should have been held invalid on the above admission alone, and 35 U.S.C. 102(b).\*

At the conclusion of the trial, the court rendered its opinion from the bench, holding both Potter patents valid and infringed. The reasons advanced show that the **court did not apply the correct criteria of law and the standard of invention** required by the Constitution and

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\*Note: All pertinent sections of Title 35 of the U. S. Code are reproduced in the Appendix.

the rulings of the Supreme Court [R. 1286-1288]. The findings are in error because they are contrary to the evidence. They are in error because they hold that invention can be found in minor changes in degree, such as increased strength and thickness without change in function or relationship.

“The Supreme Court has held that the determination by the trial court of the question of invention need not be accorded the respect given ordinary findings of fact.” (Citing cases.) *Oriental Foods, Inc. v. Chun King Sales, Inc., et al.*, 244 F. 2d 909 (CA 9).

The primary issue is that the trial court erred in holding the patents valid. A secondary issue is that of infringement; defendant contends that there is no evidence to support the finding of infringement. These issues are raised by the Notice of Appeal [R. 176] and the Concise Statement of Points on Appeal [R. 176].

Plaintiff has alleged that the bearing of the first Potter patent was dependent upon the discovery of the method of the second patent in suit [R. 17]. Briefly stated, the method of the second patent '172 is a two-step method. The first step contemplates taking a cylindrical or tubular outer race having inclined, frusto-conical end faces, placing a ball within this cylinder and then forming the race around the ball. The particular forming operation described in the patents is coining, wherein pressure is applied to the conical end faces of the outer ring. Plaintiff's interpretation also contemplates that the coining operation of the Potter patents will cause the outer race to closely, intimately and directly contact the ball so as to hold the ball immovable within the race. This “direct and intimate” contact between the entire inner surface of the race and the ball is essential and necessary to the Potter patents.

“Q. (By Mr. Miketta): You consider that it is essential that there be intimate contact over the entire inner surface of the race with the ball, is that correct?

A. Yes, sir. \* \* \*” [Pltfs. expert Barish at R. 900.]

This complete contact and engagement is said to be the “novel concept” of the Potter patents [Finding XX, R. 162].

After this forming by coining, the second step contemplates a loosening of the ball to permit it to turn within the race. This loosening is accomplished by hammering or rolling the outer race so as to spread the metal and enlarge the bore of the race so as to develop the desired clearance.

These two steps are old and not inventive individually. They are also old in sequence and in combination. Patent '172 is invalid.

Plaintiff's counsel and witnesses have asserted that the alleged commercial success of their bearing is due to the clearance between the ball and the race; this clearance is not defined in their claims. The smoke screen about unspecified clearance, adroitly raised by plaintiff (to cover the inherent invalidity of both of the patents) caused the trial court to make totally erroneous findings, such as Finding II holding

“II. Potter Patent No. 2,626,841 relates to a self-aligning bearing and more particularly to a simple two-piece spherical bearing consisting of a ball with flattened ends and a race presenting a continuous bearing surface in which the race is *separated* from the ball by a very small and uniform controllable clearance and is *thereafter liberated or loosened* uniformly.”

If the race is separated from the ball by "a small \* \* \* clearance," then the ball is rotatable in the race. It is a bearing that **does not need** to be "thereafter liberated or loosened uniformly." This finding demonstrates that the trial court did not understand the facts. The finding is not only contrary to plaintiff's contentions and the testimony of its experts, but is contrary to facts and to the patent itself. It is in irreconcilable conflict with Finding XX which states that

"\* \* \* substantially all of the entire available adjacent surfaces of the ball and its formed race are in direct and intimate contact, as set forth in the claims of the '172 patent, to such an extent that the ball actually become '**frozen**' in the race with substantially all of the entire available adjacent surfaces in binding engagement. Due to such binding, there is a condition of 'zero' clearance between the substantially all of the entire available adjacent surfaces of the ball and its race. \* \* \* Thus, another novel concept is that the pressures applied to the race member in its formation should be sufficiently large \* \* \* that substantially all of the adjacent surfaces of the ball and its race remain in **direct and intimate engagement** after release of this pressure." [R. 161-162.]

Although the first Potter patent in suit '841 allegedly relates to an article, namely a bearing, no one (including the trial court) has been able to state whether the claims of this first patent '841 refer to a bearing assembly after forming and with a ball non-rotatably held by the race or to a finished bearing after the hammering or loosening step. During prosecution before the Patent Office, Potter represented that the claims *did not cover a finished bearing* [Exh. A, p. 26].

During trial plaintiff's expert Barish represented that the claims of '841 *covered the finished bearing* after hammering [R. 427, 683-4].

If the inventor and plaintiff cannot agree as to what the claims mean, then the claims are invalid because of indefiniteness. Finding of Fact II is incomprehensible and obvious error.

During the trial the court denied defendant's motion to strike the testimony of Barish concerning Exhibits 55, 56 and 57 and photoelasticity when the witness Barish admitted that he was not an expert on photoelasticity. The court further erred in refusing to permit defendant's expert witness to state his opinion with respect to similarity of defendant's operation and prior art disclosures. These errors are specifically referred to in defendant's Points on Appeal, items 11 and 12, and will be referred to in greater detail hereinafter.

### THE PATENTS IN SUIT.

It is urged that the two patents in suit are invalid for lack of invention and, in addition, that they are invalid on statutory grounds because new matter was improperly added by amendment; method claims were abandoned and the application for the second patent was filed so late as to be barred by prior commercial use. In order to assist this court in understanding the chronology as evidenced by the file histories of the patents, attention is called to appended Chart I.

The application for the first Potter patent '841 was filed in July, 1945. The patent is Pltfs. Exh. 1 [R. 1296] and the file history is Defs. Exh. A. This original application contained claims both to the bearing itself and to the method of making the bearing. In the graph, the



# GRAPHIC CHRONOLOGY ESTABLISHES INVALIDITY

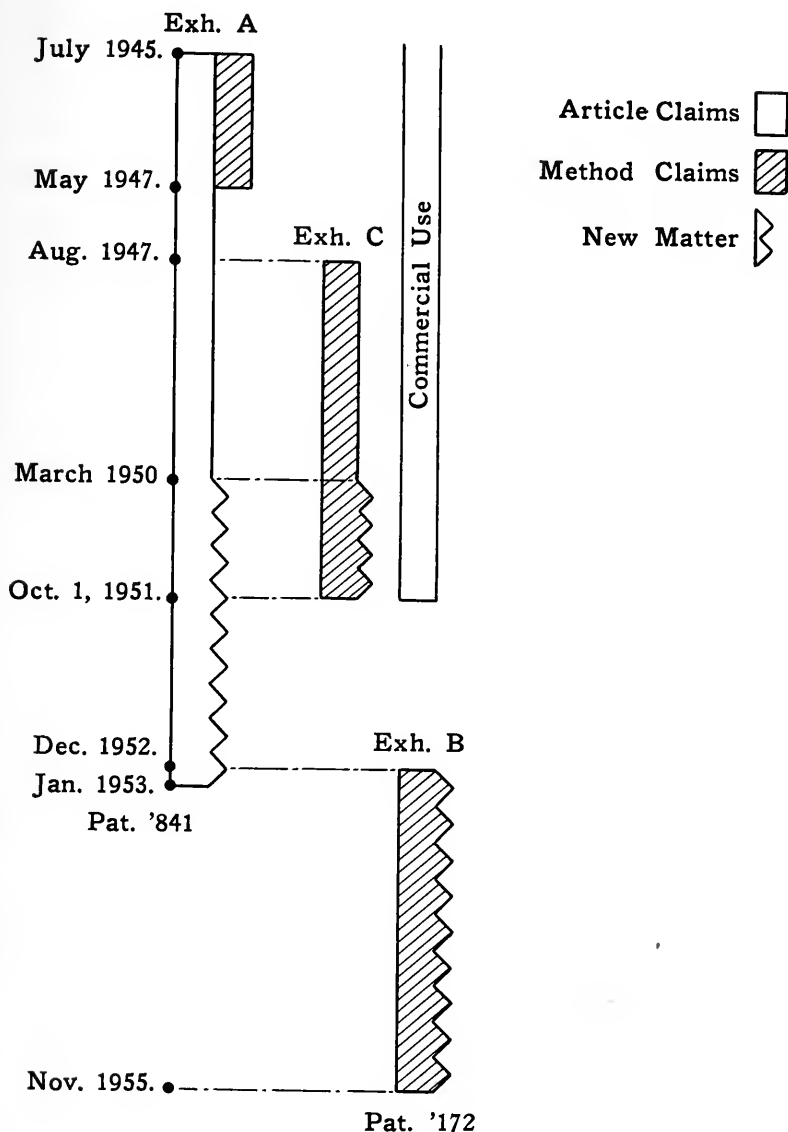
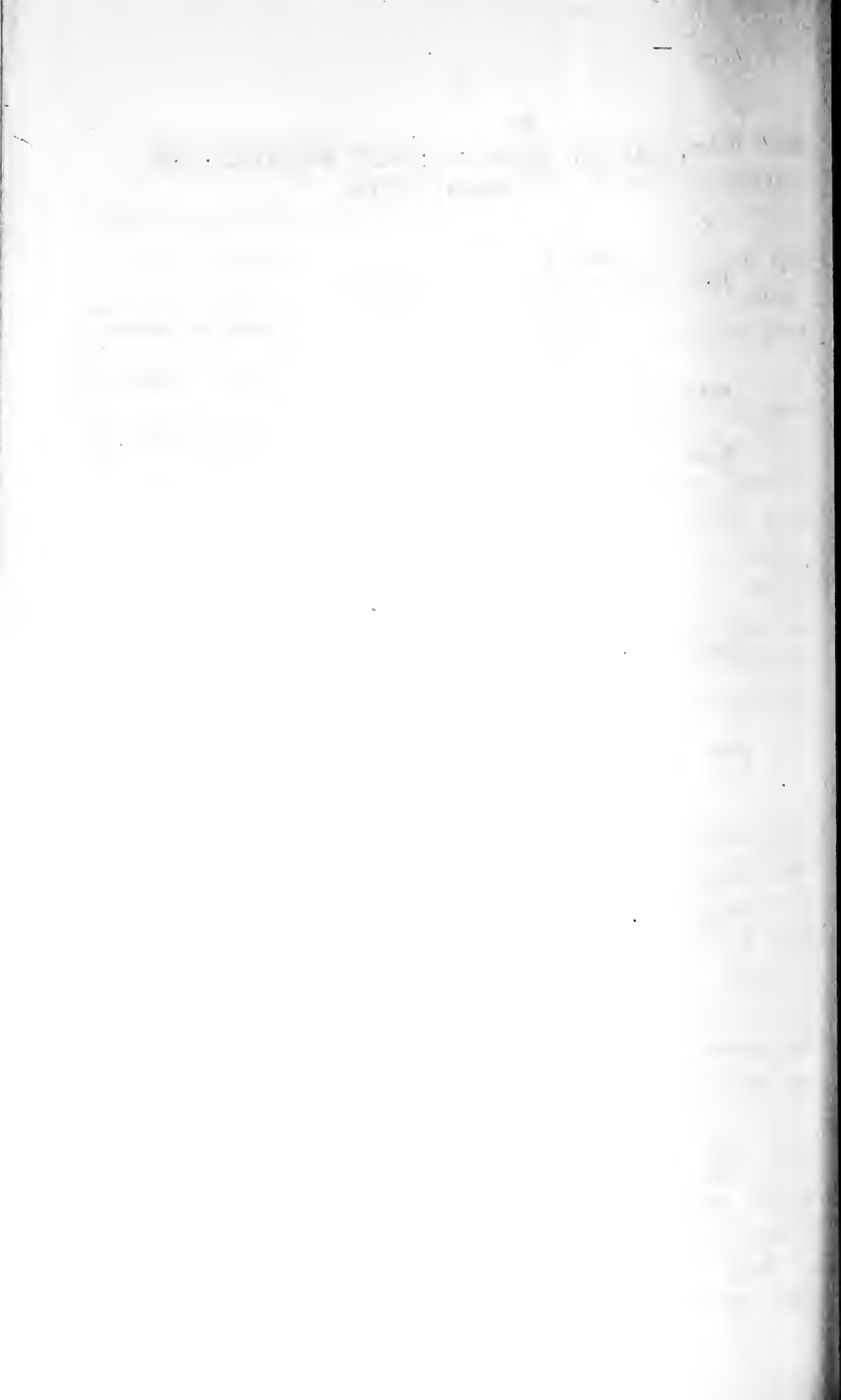


CHART I



method claims are indicated by the hatched areas. In May of 1947, the Patent Office required division between the method and product claims and the method claims were removed and cancelled from the application. In August 1947, Potter filed a so-called divisional application [Defs. Exh. C]. This application now contained the method claims. Both applications A and C were prosecuted and both applications were repeatedly rejected by the Patent Office. In March 1950, both of these applications, Exhibits A and C, were amended and *new matter* was added. This new matter is indicated in the graph by the saw teeth (adjacent each column representing an application). Attention is drawn to this *new matter* because it did not appear in the original application as filed and its improper addition resulted in the erroneous and mistaken allowance of the first patent '841 in January, 1953.

Different Patent Office Examiners handled application A and application C. The Examiner who handled the divisional application C (containing the method claims) recognized that the matter added by amendment was new matter and improper, and finally rejected the application. [December 11, 1950, see page 21, Exh. C]. On June 11, 1951, the application was abandoned and on October 1, 1951, the Patent Office Court of Appeals dismissed the appeal for lack or failure to file a brief [p. 33, Exh. C].

Throughout the period of time from 1945 to October 1951, plaintiff was manufacturing and selling bearings in accordance with both the article patent and the method patent '172. This is indicated on the graph as "Commercial Use Admitted." [See Admissions Nos. 25, 29 and 33, R. 996-7; Hackman R. 263 and 426; Pltfs. Counsel R. 200.]

In December 1952, about fifteen months after the method application, Exh. C, had been abandoned, Potter filed an application, Exh. B, soliciting method claims. This application included the new matter previously acknowledged to be improper by abandonment of application Exh. C. It is to be noted that during the fifteen month period from October 1, 1951, until December 1952, no claims directed to the method of manufacturing the bearing were being solicited before the Patent Office. On November 1955, patent '172 issued on application B with the method claims here in suit.

### THE CLAIMS OF THE PATENTS IN SUIT.

Patent No. 2,626,841 contains two claims relating to the old combination of a ball in a race ring and read as follows:

1. A self-aligning bearing construction involving inner and outer bearing members, said inner bearing member comprising a bearing ball having a spherical bearing surface and an axially disposed bore for receiving a shaft, a non-ferrous malleable metal single piece outer bearing race member having a spherical socket corresponding in shape to the spherical inner bearing member and having parallel radial end walls,  
*said outer race member being stressed such that the metal adjacent the inner peripheral surface area is compressed and the metal adjacent the outer peripheral surface is under a stress tension to form an unstretchable peripheral area, which, when subjected to a rolling pressure, will cause the metal adjacent the inner peripheral surface to expand the ends of said outer bearing member in a direction away from the axis of the self-aligning bearing.*

2. A self-aligning bearing construction involving inner and outer bearing members, said inner bearing member comprising a bearing ball having a spherical bearing surface, a malleable single piece outer bearing race member having a spherical socket corresponding in shape to the spherical inner bearing member,

*said outer race member being stressed such that the metal adjacent the inner peripheral surface area is compressed and the metal adjacent the outer peripheral surface is tensioned.*

The *matter in italics is not contained* in the application as filed nor in the specification of the patent as issued. There is serious doubt as to what these claims cover; in the file history [Exh. A, p. 26] Potter represented that "the claims *are not directed to a finished article of manufacture as such.*" Plaintiff's expert contradicts this admission by stating that they *describe the finished product* and not its condition at intermediate stages of manufacture [R. 1060]. Plaintiff's witnesses admitted that the ball-race assembly *does not have the unstretchable peripheral area* specified in claim 1 [R. 427, 683-4]. The claims are ambiguous, indefinite and void for failure to conform to the requirements of 35 U.S.C. 112.

Patent No. 2,724,172 contains seven claims directed to a "method" of making a bearing composed of a ball within a race. Claim 1 is typical and reads as follows:

1. The method of forming a self-aligning bearing having a bearing ball and a relatively soft, ductile metal bearing race, said ball and race being formed with corresponding curved surfaces therebetween, comprising:

assembling said ball in an annular blank having an inner cylindrical surface substantially correspond-

ing in diameter with that of the bearing ball and having opposite end portions.

compressing said end portions inwardly in intimate and direct contact with said ball to deform the cylindrical blank *and place the same under a stress with the outer periphery stretched and the inner periphery under compression* such that said blank will conform and produce a binding engagement around the curved surface of said ball,

and finally compressing the median portion of the bearing race by pressure applied through rolling contact *relieving some of the compression stress in the metal adjacent the inner periphery of said blank* and elongating the bearing race evenly towards its opposite ends and separating evenly the bearing surfaces between the bearing ball and bearing race by an amount sufficient to permit smooth rotation therebetween but still confine said ball within said race.

The matter in italics does not appear in the application as filed for the first patent No. 2,626,841; therefore patent No. 2,724,172 is not supported by the first application [Exh. A] and is not a division thereof. The file history of this second patent No. '172 [Exh. B, p. 30] specifically states that the claims "distinguish in a patentable sense over the disclosure in applicant's (first) patent." The claims of this second patent '172 are not supported by the specification (as filed) on the first patent. This second patent '172 is not entitled to the filing date of the first patent, does not conform to the requirements of 35 U.S.C. 120 and 112 and is invalid. The second patent '172 must stand on its filing date of December 16, 1952, and is **void by reason of commercial use** more than one year prior to December 16, 1952 [see Admissions R. 997]. Moreover, Potter made false oath to this applica-

tion for patent '172 [see p. 22 of Exh. B] by failing to state that the method had been in use prior to October 1951. The trial court disregarded the law by stating that the statutory requirements as to oath of applicant were not material [R. 1285].

Claims 3, 6 and 7 specifically refer to "coining." Claims 2, 5 and 9 specifically require that the end faces of the tubular ring blank be radially converging or of frusto-conical configuration. Claims 1 to 3 call for the use of a rolling pressure to loosen the ball, but Claims 4 to 7 broadly cover "compressing," this including application of force by hammering as well as its equivalent rolling pressure.

Defendant has never used tubular race blanks with inclined, converging end faces. Conclusion of Law V is wrong in stating that claim 2 was infringed.

### **ERRONEOUS FINDINGS AND CONCLUSIONS OF TRIAL COURT.**

The trial court announced its decision from the bench, without written memorandum opinion. That a proper standard of invention was not applied is indicated by the following:

"Mr. Miketta: Has your Honor considered that any new result was created by Potter that wasn't created by Fiegel or obtained by Fiegel?

The Court: Yes.

Mr. Miketta: What is the new result?

The Court: Fiegel's invention was a three-piece invention, and this is a two-piece invention, and Fiegel's invention I do not think could be used, or his article of manufacture could not be used, as the witnesses have testified in this case these inventions are used.

Mr. Miketta: It is used as a bearing, your Honor. And there is nothing in the patent indicating loads.” [R. 1286.]

Plaintiff's counsel prepared the findings; defendant's objections were filed May 12, 1958 [R. 131]. The objections called attention to the fact that the findings did not identify the parties, did not state facts to permit the Court of Appeals to be informed as to the basis of conclusions reached, and did not cover the issues raised by the Pretrial Order. It was urged that the Findings did not conform to this Court's requirements (*Paramount Pest Control Service v. Brewer et al.*, 170 F. 2d 553; *Schneiderman v. United States*, 320 U. S. 118, 129; and *Dalehite v. United States*, 346 U. S. 15). Specific errors were called to the trial court's attention [R. 136-7]. However, the trial court signed the findings and conclusions on June 9, 1958 [R. 155-175].

Specific erroneous findings are enumerated in Point 5 of Statement of Points on Appeal [R. 176-179]. Questions of validity and infringement are presented by this appeal.

## **SPECIFICATION OF ERRORS RELIED UPON.**

Defendant has set forth the errors committed by the trial court in its Concise Statement of Points on Appeal under Rule 17(6) [R. 176], and relies on said errors as if restated here. In furtherance of the argument as hereafter presented, the errors may be restated as follows:

1. The District Court erred in holding that both Potter patents embody invention over the prior art [Finding XXXIII, R. 166, Conclusion II, R. 172], in view of the rules and criteria of invention required by the Supreme Court and this Court of Appeals.



2. The District Court erred in considering a two-piece bearing to be a new concept [Finding XIX, R. 169], and in holding that the Potter patents resulted for the first time in permanent encasement of a ball in a race [Finding XXVI, R. 164] from which the ball cannot be removed without destruction of the race [Finding XIII, R. 168], in view of the prior patents which show such bearings.

3. The District Court erred in holding that matters of degree involved invention [Findings XIV, XVII, XXV, XXVIII, XXIX, XLII and LVII, R. 159-171], in view of

“It is firmly imbedded in patent law that change in form, proportion, or degree does not reflect patentable invention even though change produces better results.” *Berkeley Pump Co. v. Jacuzzi Bros., Inc.*, 214 F. 2d 785 (CA 9).

4. The District Court erred in holding that plaintiff used the methods and made bearings in accordance with the Potter patents and that commercial success takes the place of invention [Findings V, VI, XVIII, XLVII and XLVIII]

“Lack of novelty and lack of invention being clearly shown, no significance attaches to the fact, if it be a fact, that utility and commercial success followed.” *Grayson Heat Control Ltd. v. Los Angeles Gas Appliance*, 134 F. 2d 478, 481 (CCA 9).

5. The District Court erred in holding that defendant used the method of the '172 patent and produced bearings in accordance with the '841 patent [Findings XVIII, XXX, XXXV, XLV and LXI; Conclusions IV and V].

6. That the District Court erred in disregarding Chambers 2,382,773 and Exhibits N1, N2, AC1 and AC2 as operable examples of prior art [Finding XXII].

7. The District Court erred in holding that the claims of patent No. '172 are readable upon the disclosure of the application for patent No. '841 [Findings XLVIX, LIV and LX, R. 169; Conclusion of Law III, R. 172], in view of admissions of record and uncontrovertible statements in the file history.

8. The District Court erred in holding that the disclosures of patent No. '841 are adequate and that the claims thereof define an invention readable upon the original application [Findings XLVIX, L, LII, LVII and LIX].

9. The District Court erred in failing to find that the claims of the patents in suit fail to conform to the definiteness required by 35 U.S.C. §112; in failing to find that patent No. '172 is invalid on the grounds of prior public use and that plaintiff is estopped to assert this patent; and in failing to determine these issues in accordance with the Pretrial Order. The court erred in reaching Conclusion VIII without stating a basis therefor.

10. The trial court erred in making conflicting and irreconcilable findings and clearly erroneous findings which are contrary to the evidence.

11. The District Court erred in denying defendant's motion to strike testimony of plaintiff's purported expert Barish [R. 913-914]. The facts are as follows: Early in the trial, plaintiff's counsel stated that his expert witness would use pictures or photoelasticity [R. 224] and gave defendant a re-

duced copy of photographs, Exhs. 55, 56 and 57, with some explanatory material [R. 275].

Plaintiff's counsel stated that the photographs and a motion picture would be the only exhibits “\* \* \* from which the expert witness will testify as to physical phenomena which they represented [R. 276].

The photographs and motion picture represented a plastic ring placed upon a shaft; when force was applied to the ring, light and dark bands of light in the ring allegedly represented location and intensity of stress. Barish testified at length on this subject on direct examination by plaintiff [R. 525-535] referring to the photographs Exhs. 55, 56 and 57 and a motion picture film. Exh. 28.

Upon cross-examination [R. 922, 923] Barish was asked to identify the fourth order fringe on Exh. 55, and could not do so.

“The Court: Do you know what is meant by the term ‘fourth order fringe’?”

The Witness: I am not sure, sir. It is a terminology used by the expert in photo-elasticity. [927]

Q. (By Mr. Miketta): But you are not an expert in the subject?

A. I am not an expert in the subject of photo-elasticity. I use it as a tool.

Mr. Miketta: Well, may the court please, I move to strike all of the testimony with respect to Exhibits 55, 56 and 57, including the motion picture, on the admission of the witness that he is not an expert on the matters that he has been presenting to the court.

The Court: Motion denied.” [R. 913-914.]

It is submitted that the trial court erred in denying the motion to strike the testimony of a witness who was introduced and who posed as an expert but admitted he is not. This is a specific instance of over-reaching by Barish and indicative of the temper of the trial court.

12. The trial court erred in refusing to permit defendant's expert witness to state his opinion with respect to differences between defendant's operation and prior art disclosures. [Point on appeal 12, R. 179]. The facts are as follows: Professor L. V. Colwell, of University of Michigan, was testifying on direct examination by defendant, and had referred to prior patents and knowledge.

"Q. (By Mr. Miketta): From your study of the defendant's operations and the Chambers patent 2,382,773, do you have an opinion as to whether or not what is described in the Chambers patent, both in the form of dies and in the method of manufacturing a bearing, differs from what is employed by the defendant?

Mr. Lyon: I will object to that. If the question is does he have an opinion, of course I don't object; but if he gives the opinion, I object.

The Court: The objection is sustained. You stipulated that his statement may go in, this report of his, and throughout he keeps saying that what the plaintiff did here is similar to such-and-such a patent, and such-and-such a date, and it has been known since 1913.

I missed it by a few thousand years when I said you would probably testify that this was known at the time Moses.\*

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\*Note: Another allusion to reversal of trial court in *Muench-Kreuzer Candle Co., Inc. v. Wilson*, 246 F. 2d 624 (C. A. 9).

Mr. Miketta: I don't think we can go back that far on this witness' personal experience, your Honor. But I have asked him, your Honor, if he had an opinion [617].

The Court: It is a preliminary question, and your next question is what is his opinion.

Mr. Miketta: That's right.

The Court: So let's stop it here. I will sustain the objection." [R. 667.]

The subject of this specific question had not been previously covered. Please note that grounds for plaintiff's objection were not stated. The antagonistic temper of the trial court was again evidenced.

### QUESTIONS PRESENTED.

The points on appeal [R. 176] enumerate in detail each of the errors committed by the trial court. These points on appeal may be condensed into six questions for determination by this court:

1. As a matter of law, did the trial court apply the correct criteria and standard of **invention** required by the Constitution and established by the rulings of the Supreme Court and this court?

(It is urged that this must be answered in the negative and that both Potter patents be held invalid and not infringed. This question encompasses Points on Appeal, 1 subs. (a), (b), (c); Point 2, subs. (a), (b); Points 7, 8, 9 and 10. Specific erroneous Findings are IV to VIII, XVII, XVIII, XIX, XXIII, XXIV, XXV, XXVI, XXVIII, XXIX, XXXIII, XLII, XLIII and LVIII.)

2. Did the trial court commit error in failing to find that the Potter patents had been issued in viola-

tion of statutory requirements that no new matter be added, that proper oath was not made, that the claims fail to define with necessary definiteness, that prior commercial use is a bar, that the second patent is not a true division of the first application, that the method was abandoned, etc.?

(The only possible answer is that error was committed. These errors are embraced by Points on Appeal, 1 subs. (d) and (e); Point 2, subs. (c) to (g); Point 10. Specific erroneous findings are VIII, XXXV, XLIX, L, LIV, LV, LVI, LIX, LX and LXI.)

3. Did the court make conflicting and erroneous findings of fact?

(It is urged that the court made findings that are contrary to the evidence and the judgment must be reversed. This question embraces Points 3, 4, 5 and 6. Specific erroneous findings are enumerated in Point 5 on appeal.)

4. Does defendant infringe by making a bearing in which the entire inner surface of the race is not in intimate and direct contact with the ball?

(There can be no infringement since a thickness gauge can be inserted into every bearing made by defendant. This conclusively proves that there is no such intimate and direct contact. Moreover, tight bearings were made by the prior art.)

5. Did the trial court err in denying defendant's motion to strike certain testimony of Barish and in refusing to permit defendant's expert to state his opinion. (Points on Appeal 11 and 12, discussed in detail on pages 16-18 of this brief.)

6. Should costs be assessed against plaintiff on this appeal for burdening this record with unnecessary material?

(Defendant designated a condensed version of the record; plaintiff added all of the record and defendant moved to strike. Your Honors denied the motion without prejudice September 30, 1958.)

The judgment of the trial court must be reversed if the answer to any one of the first four questions indicates error by the trial court.

### PRIOR ART AND PRIOR KNOWLEDGE.

The Potter patents will have to be considered in the light of prior knowledge since

“Patents cannot be sustained when \* \* \* their effect is to subtract from former resources freely available to skilled artisans.” *A. & P. Tea Co. v. Supermarket Corp.*, 340 U. S. 147, 152 (quoted in *Gratiot et al. v. Farr Company*, 237 F. 2d 940, where-in this Court reversed the trial court and held the patent invalid.)

Before discussing the Potter patents in suit, a brief review of prior knowledge as established by documents and uncontroverted evidence appears desirable.

“In determining whether there is invention, everything previously known to the art through patents, publications or use must be taken into consideration.” *Hall et al. v. Wright et al.*, 240 F. 2d 789 (CA 9).

A bearing is a device to support a rotating element with minimum frictional resistance. A lubricant between the rotating elements converts the frictional resistance between metal surfaces into a shear resistance of the oil

film. Bearings may vary from a simple cylindrical sleeve or bushing to ball bearings, thrust bearings, self-aligning bearings, etc. Self-aligning bearings were formerly called ball and socket joints [Fiegel patent No. 1,693,748, Exh. D, R. 1368]. These were all old long prior to the filing of the patents in suit (see "Bearings" and "Lubrication" in Encyclopedia Britannica, 14th Edition, 1929). All of us have owned bicycles and automobiles and personally know that you can tighten a bearing to such an extent that it turns with difficulty or it can be so loose as to be sloppy and inefficient. Clearance is a matter of degree; it is not an "invention." Similarly, any mechanic knows that metals differ in strength and physical characteristics and one selects a metal in accordance with the loads to be carried. Selection of a metal is not invention. To aid the court and condense the material in Exh. D, appended Chart II illustrates prior art devices and quotes from prior patents included in defendant's Exh. D. It is clearly established that

1. Potter was not the first form metal around a ball.

"Mr. Lyon: No, there are people who compressed around balls before, yes." [R. 199.]

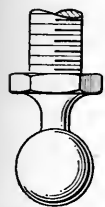
2. Potter was not the first to form a cylinder into a race around a ball to make a bearing. [Erickson 1,481,000, Fig. 8, R. 1364; Fiegel 1,693,748, Figs. 7 and 8, R. 1368; Skillman 1,793,874, Figs. 4 and 5, R. 1371; Taylor 2,382,349, R. 1402; and Chambers 2,382,773, R. 1406].

3. Any skilled mechanic (as of 1944) could make a die to bend or form a ring around a ball, and this was common practice in the industry.

"Q. On the basis of the same background of experience, will you state whether it was known prior to 1944 that an (518) outer metallic object having

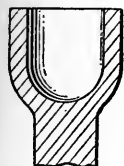


## Chart II



Self-aligning bearings. May be in form line 16]. Spherical member 9 is placed around 9 "to completely and the inner surface of sleeve 5 to the spherical member 9" [p. 2, line 35]. Tapping of is within skill of a mechanic [R. 1132].

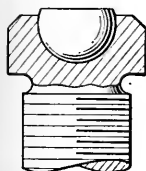
*Birchwood* mecha and s construct the b: Recogn ated [



73. Self-aligning bearing. Ball 10a placed er and "suitable dies" [p. 1, line 20] are other to form portions 20a into a "spherical complementary" to the surface of the ball [9].

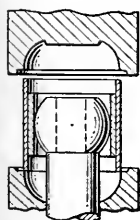


*Porter* I move the s the ba form itself"



24,172. Self-aligning bearing. One-piece d around ball 1 and formed by dies around e "inner surface thereof is complementary the ball" [col. 4, line 66]. To prevent ball a cup o tight, covered the ball with coating of of wh ing the race.

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3. Any skilled mechanic (as of 1944) could make a die to bend or form a ring around a ball, and this was common practice in the industry.

"Q. On the basis of the same background of experience, will you state whether it was known prior to 1944 that an (518) outer metallic object having



*Birchwood No. 1,050,422.* Relates to couplings for connecting mechanical elements without lost motion. Ball is placed in socket and socket compressed about the ball "in a press of ordinary construction" [p. 2, line 15] so that "the socket fits snugly around the ball thereby eliminating all lost motion" [p. 3, line 18]. Recognized that tension and compression stresses were generated [p. 3, line 5].



*Porter No. 1,123,796.* A ball and socket joint "in which the parts move freely at all angles" [p. 1, line 12]. The "side walls of the socket are initially formed substantially parallel to receive the ball and are then turned or swaged over against the ball to form the annular seat to conform to the contour of the ball itself" [p. 1, line 98].



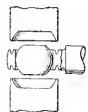
*Hoern No. 1,708,738.* Relates to rod ends [p. 1, line 3]. Used a cup die and coined metal around the ball [R. 1103] to form "an exactly fitting hemispherical socket, the ball-contacting walls of which are glass-smooth and polished" [p. 2, line 73]. Ball cannot be rotated [p. 1, line 25]. Loosens ball by hammering outer member [p. 2, line 127; R. 1105] to expand metal "in bearing contact with the embedded ball" [p. 3, line 101].



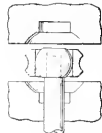
*Stillman No. 1,793,874.* Self-aligning bearing. Cylindrical metallic tubing [p. 1, line 98] is placed around spherical bearing member and upper and lower dies are brought together to form outer tubing into "substantially spherical shape" [p. 2, lines 30, 74, 125] and "to compress and shape the flaring around the inner non-cylindrical member" [p. 3, line 104].



*Taylor No. 2,382,349.* Self-aligning bearings. May be in form of rod ends [p. 1, line 16]. Spherical member 9 is placed within ring 5 and ring is coined around 9 "to completely and accurately conform the inner surface of sleeve 5 to the spherical surface of the former member 9" [p. 2, line 35]. Tapping of outside of ring to loosen is within skill of a mechanic [R. 1132].



*Chambers No. 2,382,773.* Self-aligning bearing. Ball 10a placed within outer member and "suitable dies" [p. 1, line 20] are forced toward each other to form portions 20a into a "spherical bearing surface" "complementary" to the surface of the ball [also see p. 1, line 39].



*Spangenberg No. 2,724,172.* Self-aligning bearing. One-piece outer race 3 is placed around ball 1 and formed by dies around the ball so that the "inner surface thereof is complementary to the periphery of the ball" [col. 4, line 66]. To prevent ball from being held too tight, covered the ball with coating of grease before forming the race.



*Henn No. 2,476,728.* Relates to an "efficient method for freeing bearings" [col. 1, line 5]. Recognizes that ball is "tightly gripped" [col. 1, line 42] in many newly made bearings. Teaches hitting outer ring of bearing with an air hammer whose movement "is carefully controlled as it determines the amount of looseness which is given to the bearing" [col. 3, line 33]. "The loosening of contact is thus made uniform throughout" [col. 3, line 45] and "the exactness of fit is maintained in all respects" between the ball and its race [col. 3, line 51].



a cylindrical inner wall could be formed around a ball to produce a self-aligning bearing? A. Yes, that sort of thing has been done in great quantity in the automotive industry in the early days. That is certainly in that period subsequent to about 1920, or World War 1" [R. 598].

"Q. Professor Colwell, in your opinion as of 1944 would any skilled mechanic or toolmaker or shop foreman, upon being asked to form a metal ring around a ball, have any difficulty in making a die which would form the ring around the ball to retain the ball? A. No, he would not" [(615) R. 665-6].

4. Potter did not invent dies for forming cylindrical metal into contact with a ball. [Birchwood—"a press of ordinary construction" R. 1345]; Fiegel; Skillman's "suitable dies"; Taylor's "coin press"; Chambers' "suitable dies."

5. Potter was not the first to describe a bearing where the ball is in sliding contact with a single continuous piece of metal as the race [Fiegel 1,693,748, R. 1368; Paulus 2,252,351, R. 1397; Taylor 2,382,349, R. 1402; Chambers 2,382,773, Figs. 2 and 3, R. 1406].

6. "That Lee R. Potter was not the first to invent or discover that when a bar of metallic material is bent into semi-circular form, portions of such bent bar adjacent the concave surface will be under compression and portions of the bent metal bar adjacent the convex surface will be under tension" [Admission 34, R. 998].

7. Potter was not the first to make a tight bearing and then loosen it by applying force such as a hammer blow to the outer race [Best shown and described by Heim 2,476,728, R. 1419; also see Hoern 1,798,738, R. 1376; Townsend 2,335,710, R. 1400; and Offutt 1,100,695, R.

1353]. With respect to Paulus 2,252,351 [R. 1397], plaintiff's expert testified:

"Q. So here we have a ball and a socket joint where (1123) you start off with direct and intimate contact between the outer member and the ball, followed by the application of force which loosens that ball from the socket walls for freely swiveling therein, is that correct? A. You are quoting correctly" [R. 1067].

8. Birchwood, patent 1,050,422 [R. 1345] and Fiegel patent 1,693,748 [R. 1368] show two-piece bearings, *i.e.*, a central ball and an outer race [R. 610]. Such bearings could be tight.

"Q. And during the manufacturing process of this Fiegel bearing the ball initially could have been held so tight within the ring as to require some loosening in some way? A. Yes, for certain applications.

Q. And in the event someone manufactured this Fiegel bearing and it turned out to be, let us say, held against (542) rotation, have you any opinion as to whether or not an ordinary mechanic or tool-maker would know how to liberate it? A. Oh, yes.

Q. What would he do? A. By hammering or rolling. If it were a single ball, he will pick up a ball-peen hammer and tap it. That would loosen it up.

For a production process it would depend upon the structures as to the tooling that would be the fastest and that in all probability would be rolling in this case" [R. 617].

Hammering or rolling in order to loosen are common expedients, known to mechanics long before 1944 [R. 681, 675, 679, 957-958].

Heim patent 2,476,728 [R. 1419] specifically refers to making a tight bearing and then hammering to produce a uniform clearance.

Skilled mechanics have the right to use all of this prior knowledge; the patents in suit cannot be sustained because "their effect is to subtract from former resources freely available to skilled artisans." (*A & P Tea Co. v. Supermarket Corp.*, *supra.*)

This background of prior art was not considered by the Patent Office in granting the Potter patents in suit. Admissions 35 and 36 list patents which were *not cited* [R. 93]. The Potter patents were issued with the "customary magnanimity" of a Patent Office which does not know the actual practices in the industry. (*Grindle v. Welch*, 146 Fed. Supp. 44 (D. C. N. Calif.).)

Any presumption of validity is overcome.

"The presumption of validity which attends the issuance of Letters Patent by the Patent Office is overcome in this case by the clear evidence of anticipation in the prior art which was not cited or considered by the Patent Office when the application for appellant's patent was passed on. See *Elliott & Co. v. Youngstown Car Mfg. Co.*, 181 Fed. 345 (C.C.A. 3); *American Soda Fountain Co. et al v. Sample*, 130 Fed. 145 (C.C.A. 3)."

*Mettler v. Peabody Engineering Corporation, et al.*,  
77 F. 2d 56 (CA 9).

See also:

*McClintock v. Gleason et al.*, 94 F. 2d 115 (CA 9);

*Stoody Co. v. Mills Alloys Inc.*, 67 F. 2d 807  
(CA 9);

*Market Soda Fountain Co. v. Sample*, 130 Fed. 145  
(CA 9).

## SUMMARY OF ARGUMENT.

The trial court made the erroneous and totally unsupported Finding XXXIII:

“That Potter Letters Patent Nos. 2,626,841 and 2,724,172 in suit and each of the claims thereof embody invention over the prior patents and bearings relied upon by the defendant.”

It is notable that the court did not make any specific findings concerning the matters disclosed and taught by each of the prior art patents such as Birchwood, Skillman, Fiegel, Hoern, Taylor, Heim, etc. The trial court failed to make findings as to prior knowledge. **The trial court failed to make a specific finding that the old combination of a ball with a race around it produced any new or different result.** Such findings would be necessary to uphold the patents. (*Bergman et al. v. Aluminum Lock Shingle Corp. of America*, 251 F. 2d 801 (CA 9).)

This Court of Appeals cannot tell from the findings just how the court came to the conclusions stated in Finding XXXIII. However, the physical exhibits of bearings, the printed copies of prior art patents and the certified file histories of the patents in suit speak for themselves. They show on their face that what is claimed by Potter in his patents is within normal mechanical skill.

The two patents in suit are invalid on two broad grounds:

1. They are invalid on the factual ground of lack of invention since

“\* \* \* the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.” (35 USC §103.)



2. They are invalid on statutory grounds; they are invalid because the subject matter fails to patentably distinguish from prior knowledge (35 USC §103), because the claims of '841 are not supported by the specification as filed (35 USC 112), because new matter was improperly added and was not supported by oath of applicant (35 USC §115 and §132), because the method of the second patent '172 was in commercial use more than one year before the application for patent '172 was filed (35 USC §102(b)) and because the patentee Potter had abandoned all claims to the method when he abandoned his "divisional" application [Exh. C—see Chart I]. There was no excuse for the 15 month abandonment.

"The rationale of these cases is that if the inventor, intentionally or by reason of culpable neglect, be guilty of action which unduly postpones the time when the public would be entitled to the free use of the invention, and thus defeats the policy of the patent law, the right to a patent will be lost." *Wirebounds Patents Co. v. Saranac*, 65 F. 2d 904 (CCA 6).

These statutory grounds upon which both patents should be held invalid are discussed in this brief at pages 43 to 55.

Invalidity for lack of invention over the prior art is based upon uncontroverted facts. Plaintiff does not and cannot claim novelty in the ball nor in an encircling race ring; these are old elements. The combination of a ball within a race ring is also old; Figs. 7 and 8 of expired Fiegel patent 1,693,748 cannot be disregarded.

The use of a press and dies to form a tubular member into a race around a ball is also old. Fiegel showed one type of press but even plaintiff's expert admitted that it

would not take more than normal skill to use a different type of die [R. 1114]. Other forms of dies, some almost identical to those illustrated in the Potter patents, are shown in Erickson 1,481,000, Fig. 8 [R. 1364], Skillman 1,793,874, Fig. 5 [R. 1371], Taylor 2,382,349 [R. 1402] and Chambers 2,382,773 [R. 1406].

The '841 patent does not and cannot cover the combination of a ball with a formed race ring around it. The claims of '841 cannot cover what Potter cancelled and withdrew from his application.

Plaintiff has caused the trial court to become confused by talking about things which the patents in suit do not disclose. Plaintiff and its so-called expert Barish represented to the trial court:

a. That the patents in suit are limited to heavy duty bearings [R. 566]. The patents do not define heavy duty bearings.

b. That the patents are directed to airplane bearings; that is wrong.

“Q. In neither of these Potter patents does it mention airplanes or airplane bearings, does it?

A. No, sir.” [R. 933.]

c. That it is essential to the Potter patents to coin the entire inner surface of the race into direct and intimate contact with the ball and then hammer the race loose [R. 898-99, 900]. “The important point is that the operation produces an intimate contact over the entire surface and requires large forces.” [R. 524.]

This is not stated in the patents. Moreover, neither plaintiff nor defendant obtains this direct contact. See R. 1061 and 1062.

d. Stress pattern.

"A. The stress pattern which is of value and which Potter invented is to have a compressive stress on the inner surface of the ring, not just anywhere or in any special part of it, but in all of it, and tensile strength on the outer surface on all of it." [R. 929.]

But this is not in the specification of the Potter patents.

"Q. \* \* \*

Now, will you please look at the first Potter patent '841, the specification or descriptive part, and point out wherein in that specification there is a description of this necessary stress pattern that you have referred to?

A. I don't believe it is referred to explicitly.

Q. Does the specification of that patent anywhere discuss or measure or define the variables that you have mentioned, namely, the relationship between width and thickness and physical characteristics and radius of ball to the thickness which affects the presence and magnitude of this pattern?

A. Your question is, does the patent expound these differences?

Q. Yes.

A. The answer is no.

Q. Does the specifications describe them?

A. No." [R. 932.]

e. That Potter patents produce and require a uniform and small clearance between the entire surface of the race and the ball [R. 905]. However, clearance is a matter of degree.

"Q. And whether a clearance is appreciable or whether it is normal is simply a matter of

degree, depending upon what you were after, is that correct?

A. Yes, sir." [R. 893.]

f. That uniform clearance is proven by the fact that bearings are sold [R. 906]. This is a ridiculous assertion, but it appeared to influence the trial court.

The false issues enumerated above, as well as a lot of testimony about specifications and approval [which the witnesses never saw, R. 542, 543] and rash statements which were not based upon tests or measurements [R. 547] must be disregarded.

The facts prove

1. That tight bearings had been made in the past and then loosened to get a uniform clearance by hammering.

2. Patent '172 is invalid because it does not disclose invention; it simply states what any mechanic would normally do in making an old bearing.

3. Every bearing performs exactly the same function—it reduces frictional resistance.

4. Any alleged benefits attributed to the patents in suit spring from the imagination of plaintiff's counsel and are not traceable to any definite teaching in the patents.

## NO INVENTION IN CLAIMS OF PATENT '841.

"The standard of patentability is a constitutional standard; and the question of validity of a patent is a question of law."

*A. & P. Tea Co. v. Supermarket*, 340 U. S. 147 at 155 quoted and followed in *Bergman et al. v. Aluminum Lock Shingle Corporation of America*, 251 F. 2d 801 (CA 9).

It is submitted that the Trial Court did not apply the required rules of law. Public policy requires that patents be held invalid when they do not involve invention in order to protect the public from burdens imposed by over-reaching patent owners.

"It is the public interest which is dominant in the patent system."

*Mercoird Corporation v. Mid-Continent Investment Co.*, 320 U. S. 661, 665.

Also see:

*Haughey v. Lee*, 151 U. S. 282, 285.

This court does not have before it detailed findings which clearly set forth the reasons for the trial courts' erroneous conclusions. **No finding states what (if any) new additional or different function is performed by the ball and race** (this requirement is referred to in *Kwikset Locks Inc. v. Hillgren*, 210 F. 2d 483 (CA 9), and in *Bergman v. Aluminum Lock Shingle Corp.*, 251 F. 2d 801 (CA 9)). But the patents in suit, their certified file histories, the prior art patents, physical exhibits and uncontroverted admissions readily permit the court to determine whether the trial court failed to apply the standards of patentability and invention required by law.

The claims of a patent define the purported invention. What is the invention? This can be pinpointed by comparing claims cancelled from the application of '841 [Exh. A] with prior art and with claims issued in '841. What was cancelled and withdrawn and what is in the prior art is not invention:

“It is a well-known rule of patent construction that a claim in a patent must be read and interpreted with reference to claims which have been rejected. Claims which have been allowed cannot, by construction, be read to cover what has thus been eliminated from the patent. *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U. S. 211, 85 L. Ed. 132, 61 S. Ct. 235, 47 USPQ 345, rehearing denied, 312 U. S. 654, 714, 85 L. Ed. 1143, 1144, 61 S. Ct. 727, 728.”

*Hall et al. v. Wright et al.*, 240 F. 2d 787 (CA 9).

The appended sheet compares Claim 1 from Exh. A, rejected and withdrawn, with the prior Fiegel patent (not cited by the Patent Office) and with Claim 1 of patent '841.

A horizontal comparison of abandoned and cancelled claim with each reference to Fiegel, demonstrates that Fiegel describes the **same bearing, made of the same elements** (a ball and a race) in the **same relationship**, for the **same purpose**. The race rotatably confines the ball. The abandoned and cancelled claim did not involve invention. It is evident that the combination of a ball with a race is not the alleged invention; the combination stated in the cancelled claim is admittedly in the public domain.

When Fiegel is now compared with issued claim 1 of patent '841, we again find the **same ball**, the **same race**, the **same relationship** for the **same purpose**. It is

Csued Claim 1 of Patent '841

From

F

A self-aligning bearing construction involving inner and outer members

a bearing ball having an axially disposed bore for receiving a shaft and an axially disposed malleable metal single piece outer race member

having a raceway spherical socket corresponding in shape to the spherical surface of the inner bearing member

the bearing member having a raceway spherical socket corresponding in shape to the spherical surface of the inner bearing member

said bearing having parallel radial end walls

the outer race member being stressed such that the metal adjacent the inner peripheral surface area is under a stress tension to form an expandable peripheral area which, when subjected to operating pressure, will cause the metal adjacent the inner peripheral surface to expand the ends of the bearing member in a direction away from the center of the self-aligning bearing.

The claims of a patent define the purported invention. What is the invention? This can be pinpointed by comparing claims cancelled from the application of '841 [Exh. A] with prior art and with claims issued in '841. What was cancelled and withdrawn and what is in the prior art is not invention:

“It is a well-known rule of patent construction that a claim in a patent must be read and interpreted with reference to claims which have been rejected. Claims which have been allowed cannot, by construction, be read to cover what has thus been eliminated from the patent. *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U. S. 211, 85 L. Ed. 132, 61 S. Ct. 235, 47 USPQ 345, rehearing denied, 312 U. S. 654, 714, 85 L. Ed. 1143, 1144, 61 S. Ct. 727, 728.”

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The appended sheet compares Claim 1 from Exh. A, rejected and withdrawn, with the prior Fiegel patent (not cited by the Patent Office) and with Claim 1 of patent '841.

A horizontal comparison of abandoned and cancelled claim with each reference to Fiegel, demonstrates that Fiegel describes the **same bearing, made of the same elements** (a ball and a race) in the **same relationship**, for the **same purpose**. The race rotatably confines the ball. The abandoned and cancelled claim did not involve invention. It is evident that the combination of a ball with a race is not the alleged invention; the combination stated in the cancelled claim is admittedly in the public domain.

When Fiegel is now compared with issued claim 1 of patent '841, we again find the **same ball, the same race, the same relationship** for the **same purpose**. It is



**Claim Cancelled**

**From Application [Ex. A]  
For Patent '841**

A self-aligning bearing, comprising,

a bearing ball having a spherical bearing surface  
and an axially disposed work piece receiving bore

and a bearing race

having a raceway therein corresponding with the  
spherical surface of said bearing ball to freely  
journal the bearing ball in said raceway

said bearing race being of single piece construction.

**Uncited Fiegel Patent**

1,693,748, Fig. 8 [R. 1368]

Ball and socket joint or bearing  
[see R. 1369, line 83]

A ball 16  
[line 45]

Axial bore 17  
[line 47]

Babbit 14 is non-ferrous and forms a continuous metal  
race around the ball and in contact therewith [R. 1111]

See Fig. 8 and lines 72-75

No basis in Specification;  
Admission 37, R. 1000

New Matter: Added in 1950  
Contrary to 35 USC 132

Not supported by Oath  
as required by 35 USC 111 and 115

Stresses not invented by Potter  
Admission 34, R. 998

"Unstretchable" denied by Plaintiff

**Issued Claim 1 of Patent '841**

A self-aligning bearing construction involving inner and  
outer bearing members

said inner member comprising a bearing ball having  
a spherical bearing surface

and an axially disposed bore for receiving a shaft  
a non-ferrous malleable metal single piece outer  
bearing race member

having a spherical socket corresponding in shape to  
the spherical inner bearing member

and having parallel radial end walls

*said outer race member being stressed such that the  
metal adjacent the inner peripheral surface area is  
compressed and the metal adjacent the outer peri-  
pheral surface is under a stress tension to form an  
unstretchable peripheral area which, when subjected  
to a rolling pressure, will cause the metal adjacent  
the inner peripheral surface to expand the ends of  
said outer bearing member in a direction away from  
the axis of the self-aligning bearing.*



only common sense to make a race or socket which corresponds in shape to the inner ball. Birchwood [Patent No. 1,050,422 of 1913, R. 1349 stated that his "socket fits snugly around the ball." Each and every physical element of this claim is old. No invention can be found so far. No additional elements are recited thereafter.

Specific attention is now drawn to the latter part of claim 1 of patent '841 in italics. This hodgepodge of words, put in by an amendment filed March 7, 1950 [see Exh. A, p. 15] five years after the application was originally filed, confused the Patent Office into allowing the claim. But there is no invention in this hodgepodge, because:

A. Potter did not invent stresses in compression and tension [Admission 34, R. 998]. Exh. Q shows that they are a natural result of any bending, and this was known long prior to 1944 [Professor Colwell, R. 598]. In 1913 Birchwood 1,050,422 recognized that tension and compression stresses were generated when he compressed his race socket around the ball [see R. 1349 (p. 3 of patent, lines 5-8)]. Plaintiff's own expert and advocate stated that such stresses are naturally generated whenever metal is bent [R. 932] and that prior patentees, such as Taylor 2,382,349 got the same stresses in their race rings [R. 1131].

B. The hodgepodge is actually **wrong and misleading**; plaintiff's president admitted that the race **ring does not have an unstretchable area** [R. 427] and this was confirmed by Professor Colwell [R. 683-4]. Invention cannot be predicated on a false statement.

C. The claim is further wrong, misleading and baseless because it talks about expanding the ends of the ring **away from the axis** whereas in Fig. 5 of the pat-

ent, the arrows are shown parallel to the axis, and the patent so stated (Col. 3, lines 48-49).

There is no invention in describing stresses which naturally occur, and which prior patentees generated automatically when they formed their race rings. If certain results inherently follow in bending, then these inherently obtain in the prior art as well as in Potter. The Court of Customs and Patent Appeals held:

“While it is true, as urged by appellant in his brief, that the prior art did not teach in detail, as has appellant, the redistribution of stresses in the several layers of multi-layer pressure vessel, we think that if the teachings of the prior art were followed, there would be a redistribution of stresses such as appellant claims to have discovered. *A patent should not be granted for appellant’s discovery of a result that would flow naturally from the teachings of the prior art.*”

*In re Kepler*, 132 F. 2d 130.

The rule has been stated by this court as follows:

“\* \* \* Patentees are not entitled to a monopoly for the judicious use of materials the use of which would produce the result to be expected from such selection. *Recognition is not invention.* Continental Fibre Company v. Formica Insulation Company, 287 F. 455; Vitamin Technologists, Inc., a Corporation v. Wisconsin Alumni Research Foundation, 9 Cir., 136 F. (2d) 318; Aero Neck-Band & Collar Company v. Beaver Mfg. Co., 97 F. (2d) 363, 365.”

*Kalich v. Paterson Pacific Parchment Co.*, 137 F. 2d 649 (CA 9).

The claims of the Potter patent attempt to claim old elements in an old combination for an old result, by simply adding a technical or scientific explanation for an old, naturally occurring compression-tension relationship. The giving of a scientific explanation is not invention and such claims are invalid.

*General Electric Company v. Jewel Incandescent Lamp Co.*, 326 U. S. 242;

*Davison Chemical Corp. v. Jolient Chemicals, Inc.*, 179 F. 2d 793 (CA 7), cert. den. 340 U. S. 816;

*Springs Cotton Mills, Inc. v. Hall Laboratories, Inc.*, 208 F. 2d 500 (CA 4);

*Pennsylvania Crusher Co. v. Bethlehem Steel Co.*, 97 F. Supp. 696.

In a leading case, the Supreme Court stated:

“Even if the asserted difference were established, it is *no more than the scientific explanation* of what Lilienfeld and others knew, before Langmuir, of the effect of the high vacuum on the discharge, and the methods and devices for procuring the vacuum. It is the method and device which may be patented and *not the scientific explanation* of their operation. See *LeRoy v. Tatham*, 14 How. 156, 174-6.”

*DeForest Radio Co. v. General Electric Co.*, 283 U. S. 664 at 684-5.

In order to be invention, it must be evident that there is a contribution to prior knowledge. The contribution must be more than the sum of its parts; it must be more than the normal, expected skill of a mechanic. It is essential that the standards of invention established by the Constitution and the Supreme Court be followed and applied.

“By the Jacuzzi case, *supra*, and the cases upon which it rests, we are committed, and the trial courts of this Circuit are committed, to the rigid standards of invention of *Lincoln Engineering Co. v. Stewart-Warner Corp.* *supra*, and *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, *supra*; *Photochart v. Photo Patrol*, 9 Cir., 189 F. (2d) 625, Cert. den. 342 U. S. 867; *Jacuzzi Bros. Inc. v. Berkeley Pump Co.*, 9 Cir., 191 F. (2d) 632, 637; *Berkeley Pump Co. v. Jacuzzi Bros. Inc.*, 9 Cir., 214 F. (2d) 785; *Himes v. Chadwick*, 9 Cir., 199 F. (2d) 100; *Kwikset v. Hillgren*, 9 Cir., 199 F. (2d) 483, Cert. den. 347 U. S. 989.”

*Moist Cold Refrigerator Co. v. Lou Johnson Co.*, 249 F. 2d 246 (CA 9);

Reiterated in *Oriental Foods Inc. v. ChunKing Sales Inc. et al.*, 244 F. 2d 909 (CA 9).

Please note that the metal of the race is said to be non-ferrous and malleable; this covers babbitt and brass; Fiegel spoke of babbitt, but certainly other metals can be used without exercise of invention. There is nothing in the claim specific to loads, thickness of metal, or clearances. All the claim requires is that the socket (or inner surface) of the race correspond in shape to the ball. That is not invention—you would not put a bearing ball into a square socket.

“The only change would be in the degree of curvature and it is well settled that such a thing does not rise to the level of invention.”

*Johnson v. Henricks*, 140 F. 2d 108 (CA 2).

Also note that the Fiegel bearing (or any other bearing) could come out of the forming press with a ball that was not completely free to rotate [R. 616]. The

degree of force used in forming the race influences the freeness of rotation of the ball [R. 621]. Professor Colwell's observations and tests clearly show that using regular production parts and presses, a race could be formed around a ball and be free when 17.7 tons of pressure were used, but the ball would be "frozen" or immovable when 21.6 tons or more was used [see Exh. L, R. 1443 and Chart on R. 1456]; patent '841 and its claims do not define the pressure to be used, and no invention can be based on a matter of degree.

There can be no invention in claiming (without definition of any sort) a variation in degree of fit or clearance.

"Merely changing Steiner's closeness of fit was but an obvious exercise of choice and manner of construction. This was nothing but a variable involving in application nothing more than any skilled workman would do as a matter of course to have the friction held parts cling together less firmly. So the well established principle that a change in degree only will not support a patent applies in full force."

*Dykema v. Liggett Drug Co., Inc.*, 94 F. 2d 648 (CA 2).

It is urged that the claims of patent '841 are invalid for lack of invention. The facts bring this case squarely under the rule of law stated as follows:

"The mere aggregation of a number of old parts or elements which, in the aggregation, perform or produce no new or different function or operation than that theretofore performed or produced by them, is not patentable invention."

*Lincoln Co. v. Stewart-Warner Corp.*, 303 U. S. 545, 549.

The trial court did not apply this rule of law, and committed reversible error. The '841 patent is invalid.

### PATENT '841 INVALID ON STATUTORY GROUNDS.

In addition, this patent is invalid because the hodgepodge of words upon which plaintiff now relies is **not supported by the original application as filed**; these words were added by amendment which contravenes the specific requirement of 35 U.S.C. 132:

“No amendment shall introduce new matter into the disclosure of the invention.”

All this stress, strain, compression, tension business was put in by Potter's attorneys in March 1950 and July 1951 (five and six years after the original application was filed) [see Exh. A, pp. 15 and 24]. What the attorneys put in was **not Potter's invention and not under statutory oath** of applicant Potter.

“That statute requires that one shall swear to his invention, and all of it; if he only swears to a part, and his attorney puts in the rest, it is exactly like any other yielding to the temptation of improving an affidavit after execution, by inserting additional allegations of fact.”

*Westinghouse Electric & Mfg. Co. v. Metropolitan Electric Mfg. Co.*, 290 Fed. 661 (CCA 2).

If “invention” can be found in the hodgepodge of new matter added by amendment in 1950, the patent is invalid because there is no oath by Potter to support such new matter; the requirements of 35 U.S.C. 111 and 115 have not been met. These statutory requirements cannot be



ignored. **The trial court ignored the law.** At the conclusion of the trial in referring to the amendment which added new matter

“Mr. Miketta: And which, your Honor, has never been supported by oath of Potter as required by statute.

The Court: I don't think that is material.” [R. 1285.]

Such flagrant disregard of statutory requirements does not add stature to the courts of the United States.

“The inventor must comply with the conditions prescribed by law. If he fails to do this, he acquires no title, and his invention or discovery, no matter what it may be, is lost to him, and is henceforward no more his than if he had never been in any wise connected with it.”

*Consolidated Fruit Jar Co. v. Wright*, 94 U. S. at 96, 97.

Claim 2 of patent '841 is invalid for the same reasons as those stated above.

It is submitted that clearly evident error was committed. Patent '841 is invalid for lack of invention. It is also invalid in that statutory requirements have not been complied with. The specification as filed does not furnish a basis for the matter added by amendment five years later; the specification fails to describe the purported invention in the detail, clarity and exactness required by 35 U.S.C. 112; the new matter was added in contravention of 35 U.S.C. 132; the new matter was not supported by oath as required by 35 U.S.C. 111 and 115.

The trial court erred in making Finding XXXIII.

Finding LIX is also clearly wrong; it is contrary to Admission 37 [R. 1000] which establishes that the specification did not contain the later-added hodgepodge of words upon which plaintiff relies for invention.

As pointed out hereinabove with reference to the new matter added by amendment to the claims of patent '841, there is no invention in stresses and strains. Potter did not invent these stresses; that is uncontrovertibly established by Admission 34 [R. 998], Exh. Q and testimony of both parties. For this reason, all findings of fact which refer to such stresses in compression and tension must fall; Findings VII, XVII, XX, XXV, L, LII, LVII are erroneous since they are based upon a false premise.

### **PATENT '841 INVALID BECAUSE OF PRIOR USE.**

To hold the claims of patent '841 valid requires complete disregard of law.

"The claims in question are invalid if there was public use, or sale, of the device which they are claimed to cover more than two years before the first **disclosure** thereof to the Patent Office \* \* \*.

We think the conclusion is inescapable that there was public use, or sale, of devices embodying the asserted invention, more than two years before it was **first presented** to the Patent Office. \* \* \*

We therefore hold that the claims in question are invalid \* \* \*."

*Muncie Gear Co. v. Outboard Co.*, 315 U. S. 759 at 768.

(NOTE: The two year period under old §4886 R. S. was changed to one year in 1939.)

The new matter was first disclosed to the Patent Office by amendment on March 7, 1950. Any prior use to March 1949 requires the patent to be held invalid since such use would be more than one year "before the first disclosure thereof to the Patent Office" as prescribed by the Supreme Court.

The record includes admissions and testimony that **there was prior use and sale** prior to October 1, 1951 [R. 996 and 997] and as early as 1945 and 1946 [R. 263, 266, 269, 270, 296, Exh. 25]. Plaintiff's president, Hackman, testified that the bearings so sold were identical to patent '841 [R. 423] and made pursuant to patent '172. These admissions, the rules of law and the statutes require the court to hold patent '841 invalid.

"\* \* \* From the testimony of other witnesses, it seems well established that defendant built and sold machines which embodied all elements claimed in the patent more than a year prior to the effective filing date of the application. 35 U.S.C.A. §31. While Courts carefully scrutinize such testimony, nevertheless the public interest is involved and, if a device has been in the public domain, the exclusive privilege therein cannot be granted even to the inventor."

*Schmeiser v. Thomasian*, 227 F. 2d 875 (CA 9).

"When the defendant failed to patent his discovery within one year after the bag had been sold commercially, the wax impregnated cotton self-cooling water bag had been abandoned as a patentable device by either the inventor or anyone else; and the discovery had been dedicated to the public domain. *Dennis v. Pitner*, 106 F. (2d) 142, 150; *Elements of Patent Law*, Fred. H. Rhodes, 1949, p. 34."

*H. Wenzel Tent & Duck Co. v. White Stag Mfg. Co.*, 199 F. 2d 740 (CA 9).

“Finally, it is argued that Steckel’s original application of June 30, 1923 does not form an adequate basis for the support of ’195 claims filed in the divisional application of May 23, 1928, and that by May 23, 1928, the mills and processes covered by the disclosure of ’195 had been in public use more than two years. If so, the claims are invalidated. *Muncie Gear Works, Inc. v. Outboard, Marine & Mfg. Co.*, 315 U. S. 759, 53 U.S.P.Q. 1.”

*Cold Metal Process Co. v. Republic Steel Corp.*,  
233 F. 2d 828 (CA 6).

### NO INVENTION IN PATENT ’172.

This second patent ’172 matured from an application, Exh. B, filed December 16, 1952, more than seven (7) years after the application for the first patent was filed. It is said to contain claims to a method of making the bearing described in the claims of the first patent ’841.

This application, Exh. B, was filed 15 months after a divisional application [Exh. C] with method claims was **abandoned** (see Chart I). Moreover, it was filed more than one (1) year after the method was admittedly commercially used; commercial use took place during 1946 to October 1951 [see Admissions, R. 996-7]. The second patent ’172 is invalid on the statutory ground of prior public use 35 U.S.C. 102(b) which states

“A person shall be entitled to a patent unless—  
(b) the invention \* \* \* was in public use or on sale in this country more than one year prior to the date of the application for patent in the United States.”

The purported method stated in patent ’172 consists in placing a tubular member around a ball, coining the tubular member around the ball to make a race out of it, and then hammering the outside of the race to loosen the ball within the race. **All of these steps have been previous-**

ly used in the bearing art. The result is a ball and socket or self-aligning bearing which cannot be distinguished from the bearings made by Fiegel in 1928.

It may be noted that in some of these bearings, the outer member or race may be provided with a shank or rod; such forms are now called rod-end bearings and are exemplified by Defs. Exhs. H, N-1, N-2, AC-1 and AC-2 (physical exhibits); Exh. AF, R. 1477, and the drawings of prior art patents such as Birchwood, R. 1345; Taylor 2,382,349, R. 1402; Chambers 2,382,773, R. 1406; and Heim 2,476,728, R. 1419.

Claim 4 of patent '172 is representative and is reproduced in extended form on the next page. The first few lines state that the finished bearing should have a ball and race "formed with corresponding curved surfaces therebetween." **That is not a new result.** Birchwood states that his "socket fits snugly around the ball" [R. 1349, lines 18-19] and prevents lost motion; plaintiff's expert admitted this is the **same functional result** as obtained by Potter [R. 1091]. Porter 1,123,796 forms "the annular seat to conform to the contour of the ball itself" [R. 1358, line 102]; Skillman 1,793,874 stamps a piece of cylindrical tubing into a "substantially spherical shape" [R. 1372, lines 34-42]; Hoern 1,798,738 [R. 1378] states that "The ball creates for itself an exactly fitting hemispherical socket, the ball-contacting walls of which are glass-smooth and polished" (p. 2, lines 73-76 of patent). Plaintiff's expert-advocate admitted [R. 898] that a "very intimate contact" between the race and the ball would be obtained by Taylor 2,382,349, and admitted [R. 1111] that the race of Fiegel would be in contact with the ball. Chambers 2,382,773 [R. 1407] states that inner bearing surface of his race "is formed complementary" to the surface of the ball.

In all these bearings the ball and race have corresponding or complementary surfaces. Different words can be used to say the same thing, but invention does not lie in semantics.

## CLAIMS OF '172 DO NOT EMBODY INVENTION.

4. The method of forming a self-aligning bearing having a bearing ball and a relatively soft, ductile metal bearing race, said ball and race being formed with corresponding curved surfaces therebetween, comprising:

assembling said ball in an annular blank having an inner cylindrical surface substantially corresponding in diameter with that of the bearing ball and having opposite end portions

compressing said end portions inwardly in intimate and direct contact with said ball to deform the cylindrical blank *and place the same under a stress with the outer periphery stretched and the inner periphery under compression such that said blank will conform and produce a binding engagement around the curved surface of said ball*

and finally compressing the median portion of the bearing race by pressure applied radially inwardly thereto

*relieving some of the compression stress in the metal adjacent the inner periphery of said blank* and elongating the bearing race evenly towards its opposite ends and separating evenly the bearing surfaces between the bearing ball and bearing race by an amount sufficient to permit smooth rotation therebetween but still confine said ball within said race.

Object to be made is indistinguishable from Fiegel's bearing

This is shown in Taylor R. 1402 Fig. 3 & 4 and Chambers R. 1406 Fig. 2

This forming step is old in Taylor Chambers & Fiegel

Matter in italics is new matter; only a statement of inevitable natural results

Disclosed by Heim R. 1419. Hammering to loosen is common skill of the art. See R. 1132

Matter in italics is new matter; only a statement of normally expected result, not an invention

The second phrase of the claim states that the ball is placed within an outer blank having a cylindrical inner surface. This step is unmistakably shown in Taylor [R. 1402] Figs. 3 and 4, where ring 5 is placed around the ball portion 9 (or sphere whose end portions have been cut away to form end flats 10). In Chambers 2,382,773 [R. 1406] the ball 10a (Fig. 2) is put within the cylindrical bore of the outer race. There is no novelty in this step.

The third phrase of claim 4 speaks of compressing the end portions of the race ring against the ball. **There is no novelty in this step.** That is what Taylor does in patent 2,382,349, and even plaintiff's expert admitted [R. 1131] that there is "intimate and direct contact" between the race and the spherical inner member [R. 1019] in the Taylor method of forming by coining. There is no difference between "tightly engaging" and intimate and direct contact [R. 1058].

Please note that the words in *italics* (in claim 4) do not appear in the application [Exh. A for the first patent. These italicized phrases contribute *new matter*, which was not presented to the Patent Office in Exh. A until 1950, four years after commercial use.

The fourth phrase of claim 4 relates to the so-called loosening step by hammering the outside of the race (or by applying a rolling pressure). **Loosening by hammering an outer member is not invention.** Taylor made a tight two-piece assembly by coining.

"Q. Now, assuming that whoever was making this had also read the Heim patent, would it be beyond the skill of a skilled mechanic to hammer on the outside of that Taylor ring to liberate—that Taylor assembly—to liberate it?

A. Not, it would not." [Plaintiff's expert R. 1132.]

Hoern made his assembly by coining [R. 1103] and then loosened.

“Q. After the formation of this two-piece arrangement where you have this intimate and direct contact, and the ball is rigidly held, then you tap the outside and loosen it, is that correct?

A. Do you mean Hoern does?

Q. Hoern does, yes.

A. Yes.” [R. 1105.]

The Heim patent 2,476,728 [R. 1419] is specifically directed to an **“efficient method for freeing bearings”** (col. 1, line 5). This Heim patent was filed in 1942 [three years before Exh. A and ten years before Exh. B] and states that when a bearing is first made “the inner member is so tightly gripped” (col. 1, line 42) that the bearing is not practical. Heim is directed to the problem of loosening the fit “to exactly the desired degree.” Instead of hammering by hand as done by Hoern in 1931 (and still done by plaintiff), Heim describes hammering with an air hammer which “is carefully controlled as it determines the amount of looseness which is given to a bearing” (col. 3, lines 33-35). In this way “The loosening of contract is made uniform throughout” (col. 3, lines 45-46).

**Therefore there is no invention in hammering in order to loosen a bearing.** Hammering and rolling are alternative ways of applying pressure to cause loosening.

Townsend 2,335,710 [R. 1400] claimed “The method of stretching a bullet jacket or the loosening of a bullet jacket from its core by means of a machine having a rolling means acting on the surface of the bullet.” Paulus 2,480,043 [R. 1423] also used rolling pressure to loosen a bushing. Prof. Colwell, Mr. Straub and even the trial Judge had personal prior knowledge involving loosening by hammering and rolling.



## OLD STEPS IN OLD SEQUENCE FOR OLD RESULT.

Each step in claim 4 is an old step. The steps have been used in combination or sequence in the prior bearing art. Each step in claim 4 produces the same result as in the prior art. No new function or result is obtained. There is no invention in claim 4. Finding XXXIII is erroneous. Conclusion of Law II is wrong.

The falsity of issues raised by plaintiff concerning heavy loads and clearances is emphasized by the lack of any such teachings in the claims. Note that the claim states that the race is of "soft, ductile metal." That applies to babbitt, die cast alloys, and brass. The "clearance" is said to be "an amount sufficient to permit smooth rotation." Does that teach anything that a mechanic did not know in 1940 or 1920?

"\* \* \* The defect that we find in this judgment is that a standard of invention appears to have been used that is less exacting than that required where a combination is made up entirely of old components." *A & P Tea Co. v. Supermarket Corp.*, 340 U. S. 147 at 154.

Again attention is called to the matter *in italics* in claim 4 of patent '172. This matter *was not disclosed* in the application, Exh. A, filed in 1945. If invention is assumed to lie in this matter *in italics* then such invention was *not* disclosed in the application for patent '841 [Exh. A]; therefore the application for patent '172 is not entitled to the benefit of the 1945 date. Please note that 35 U.S.C. 120 requires that the invention be disclosed in the earlier application in the manner required by §112, namely the specification must be in full, clear, concise and exact terms. Here, the original application did not disclose stresses,

did not state that the outer periphery be stretched and the inner periphery be under compression, did not disclose relieving compression adjacent the inner periphery of the blank, etc.

Finding LX stating "The claims of the '172 patent find a basis in the original disclosure to the Patent Office on July 23, 1945" is clearly erroneous. Such finding is contrary to the documentary facts and contrary to Potter's representation to the Patent Office that the claims of application Exh. B (Pat. '172)

"\* \* \* are believed to distinguish in a patentable sense over the *disclosure* in applicant's patent ('841)  
\* \* \*" [See Exh. B, p. 30].

In view of this admission and representation, Finding LIV is clearly erroneous. This finding contradicts the representation by holding

"The claims of the '172 patent are readable on the disclosure in the '841 patent."

Because patent '172 must stand on its December 16, 1952, date (as demonstrated hereinabove), such patent is invalid because of public use prior to October 1951. Commercial use of the method of patent '172 since 1945 was proved by plaintiff and its witnesses in great detail. Such prior use now invalidates this patent because of the provisions of 35 U.S.C. 102(b).

Also note that the application [Exh. B] for patent '172 was filed with **false oath** [p. 22 of Exh. B]. In this oath, signed December 5, 1952, Potter states that he "does not know and does not believe that this invention was even known or used \* \* \* more than one year prior to **this** application \* \* \*." Plaintiff's counsel prepared this oath; Potter signed it. Plaintiff's

counsel has also stipulated in this record that the method was used prior to October 1, 1951 [R. 996 and 997].

The remaining claims of patent '172 are invalid upon the same grounds as those advanced with regard to claim 4. It may be noted however that claims 2, 5 and 7 require that the end faces of the race blank be frusto-conical, *i.e.*, be inclined or "radially converging" as illustrated at 20D in Fig. 1. This particular form is not found in the prior art patents. Defendant does not use it. It is doubtful whether this minor change in form (from a normal, square ended form of tubing) can be said to rise to the dignity of invention.

The facts and the law require that the court find patent '172 invalid for lack of invention and void because of prior public use.

### **PATENT '172 INVALID ON GROUND OF PRIOR USE.**

This statutory ground of invalidity and the authorities which compel this court to hold the patent invalid, have been reviewed hereinbefore in connection with patent '841, pages 38 to 42.

Even more compelling reasons exist with regard to patent '172 because the application [Exh. B] for this patent was not filed until December 16, 1952. For a period of **seven years** the purported invention was commercially employed **before the application was filed**. Such protracted delay is an obvious attempt to improperly and illegally extend the purported patent monopoly. It is certainly not in the public interest to have a patent owner impose a burden upon the public (which eventually has to pay) for more than the normal 17 year life of a valid patent. Here we have an invalid patent, lacking

invention, resulting from an application filed seven years after commercial use.

Actually, the method claims and invention were **abandoned** when application Exh. C was abandoned in June or October 1951. Plaintiff had the right to prosecute his appeal before the Patent Office in June 1951 but failed to do so.

This is not a case where the court is asked to weigh the credibility of witnesses; the documents themselves are before the court. Patent '172 must be held invalid as having issued in contravention of 35 U.S.C. 102(b), as well as invalid for lack of invention.

**NEITHER PLAINTIFF NOR DEFENDANT  
MAKES BEARINGS PURSUANT TO PAT-  
ENTS '841 AND '172.**

Finding XLVIII states that plaintiff's present production is in accordance with the patents in suit and Finding LXI states that defendant uses both patents. Conclusions of Law IV and V hold that defendant has infringed both patents. These findings and conclusions are contrary to facts and evidence.

Plaintiff's President and its expert-advocate Barish testified that it was **necessary and essential** for the entire inner surface of the race to be in direct and intimate contact with the ball after forming and before loosening [R. 415, 517, 524, 900, etc.]. Finding XX states that a "novel concept" of the patents is "that substantially all of adjacent surfaces of the ball and its race remain in direct and intimate engagement" after release of forming pressure.

Barish represented that during plaintiff's manufacture they took care in "obtaining an extremely intimate contact

between the ring and the inner spherical part at all points.” [R. 556.]

That was a bunch of malarkey. The trial court went to plaintiff’s plant and saw plaintiff make a BSSR-24000 bearing “Just as you manufacture them” [R. 806]. Plaintiff used 250 tons pressure. The court confirmed that a 0.002” thickness gauge could be inserted between the ball and the formed ring [R. 807]. So plaintiff made another one at the court’s request to “Make it as tight as you can” [R. 811]. Plaintiff used almost 300 tons pressure. When a .0015 guage was inserted between the ball and race the court commented **“It went in there quite a ways”** [R. 813]. A thicker 0.002 guage also went in.

This definitely proves that plaintiff does not get the intimate and direct contact between the entire inner surface of the race and the ball which is the “novel concept” and essential requirement of the patents in suit, as represented by plaintiff. Finding XLVIII is contrary to the observations of the trial court and is contrary to the physical exhibits before this court [see Exh. 64, for example]. Finding XVIII is also wrong for the same reasons.

The trial court also visited the defendant’s plant and observed production of rod end bearings for Sikorsky, the ball being freely rotatable after the race was formed [R. 830-832]. The trial court also observed the forming of an HSBH-20 bearing with an aluminum bronze race at 2000 lbs. pressure [Exh. W] where a 0.0025 guage could be inserted between the race and the ball [R. 835]. The trial court saw HSB6-20SA bearings with a heat-treated chrome-moly steel race formed at 2500 lbs. pressure and a .0025 feeler guage went in about 1/64th of an inch on one sample, and

“The Court: He did another one, and on the first operation he put in 2500 lbs. pressure, and it (the feeler gauge) goes in about a quarter of an inch.” [R. 839.]

That was the clearance between the inner surface of the race and the ball. Obviously the essential and necessary intimate and direct contact between the entire inner surface of the race and the ball did not exist.

The trial court erred in disregarding this uncontrovertible evidence and plaintiff's insistence that complete contact was essential and constituted the “novel concept” of the patents.

“Q. You consider that it is essential that there be intimate contact over the entire inner surface of the race with the ball, is that correct? A. Yes, sir.” [R. 900, Plfts. expert Barish.]

Therefore Finding LXI, “Defendant uses the steps covered by the claims of the '172 patent and produced bearings as claimed in the '841 patent, when it liberates after forming.” Is totally wrong and contrary to the facts of record. Conclusions IV and V are clearly wrong.

The Judgment erroneously holds that defendant infringed claim 2 of patent '172. This claim is specifically limited to the use of a race blank having the frusto-conical, radially converging ends. **Defendant does not use a race blank with such ends.** Defendant's race blanks have ends which are parallel and perpendicular to the axis, as shown in Exhs. F and G. This is shown by Prof. Colwell in Exh. L [R. 1439, 1442 and 1448], by Mr. Straub [R. 484] and observed by the court during plant inspection [R. 833].

Defendant does not infringe claim 2. There is no basis for such judgment.

## OTHER ERRONEOUS FINDINGS.

Since plaintiff has convincingly demonstrated that it does not use the “novel concept” of the patents in suit, its business and alleged commercial success cannot be attributed to the patents in suit.

Findings V, VI, XX, XXVI, XXIX, XLII, XLIII, XLIV, L and LVII and each of them is in error.

## PURPORTED COMMERCIAL SUCCESS IS NOT A SUBSTITUTE FOR INVENTION.

It appears that the trial court erred in considering commercial success to be a substitute for invention. After oral arguments, in referring to Potter and the patents in suit, the court stated

“He found a way to make a bearing for which there was great and immediate commercial success, and for which there is still a great demand in the industry, as indicated for instance by the defendant’s catalog and the list of interchangeability of bearings made by different companies.” [R. 1287.]

Although commercial success may be taken into consideration in determining a borderline case, the statutes and the Constitution require that a patent define an **invention** and that all of the statutory requirements be met before a patent is held valid.

“But commercial success without invention will not make patentability.”

*Great A & P Tea Co. v. Supermarket Equipment Corp.*, 340 U. S. 147, 153, cited and followed in *Stauffer v. Slenderella Systems of Calif.*, 254 F. 2d 127 (CA 9).

“Evidence of commercial success cannot overcome clear lack of novelty and invention.”

*Pevely Dairy Co. v. Borden Printing Co.*, 123 F. 2d 17 (CA 9).

To the same effect:

*Fernandez v. Phillips*, 136 F. 2d 404 (CA 9);

*Grayson Heat Control Ltd. v. Los Angeles Gas Appliance Co.*, 134 F. 2d 478 (CA 9);

*Rasmusson v. National Popsicle Corp.*, 111 F. 2d 453 (CA 9);

*Bramlett v. National Unit Corp.*, 104 F. 2d 17 (CA 9);

*Schick Service Inc. v. Jones*, 173 F. 2d 969 (CA 9).

“Judge Conger found that the Magnus device created an industry, new in this country, of making harmonicas for the low price field, and that this industry enjoyed great commercial success.

These considerations, however, cannot spell out invention where there is none.”

*Magnus Harmonica Corp. v. Lapin Products, Inc.*, 236 F. 2d 285 (CA 2).

It may be noted that there is **no actual evidence** in the record as to how many bearings were sold by plaintiff during the last 8 or 10 years in any one year, nor any evidence as to what was spent by plaintiff in advertising, circularizing the trade, sales promotion and entertainment, etc. The only testimony is that 40 or 50 preloaded bearings were “made” (but not sold?) during 1957 for North American Aviation [R. 447].

There is no actual and direct evidence of commercial success, and certainly there is clear evidence that plaintiff



does not manufacture in accordance with its own interpretation of the patents in suit.

It is submitted that Findings such as V, VI and XLII are clearly erroneous and improper.

### CONCLUSION.

Whether a trial court has applied correct criteria of law to the evidential facts in making its findings of fact as to invention and validity

“\* \* \* is reviewable on appeal as a matter of law.”

*Noble Co. v. C. S. Johnson Co.*, 241 F. 2d 469  
(CA 7).

The trial court did not apply the standards of invention written into the Constitution, expressed by the Supreme Court and applied by this Court.

Defendant has attempted, in this brief, to present the facts as concisely and as clearly as possible. When the claims of the patents are stripped of excess verbiage (improperly added five years after filing of the application and public use) what is left does not inventively distinguish from the prior art and prior knowledge. The claims lack invention. Paramount public interest compels finding the patents invalid for lack of invention—the skilled mechanic should be permitted to select materials, use his hammer in loosening objects and his skill in selecting the degree of clearance he wants in making a bearing.

The certified patent files of record clearly establish that statutory provisions regulating the issue of Letters Patent have not been complied with. The trial court erred in considering such provisions not material. The patents must be held invalid on statutory grounds.

Since neither plaintiff nor defendant use the alleged "novel concept" and essential element of the patents, no importance can be attributed to the patents. Plaintiff's purported commercial success cannot be attributed to the patents and defendant cannot be said to infringe.

The judgment should be reversed and plaintiff awarded costs incurred on appeal.

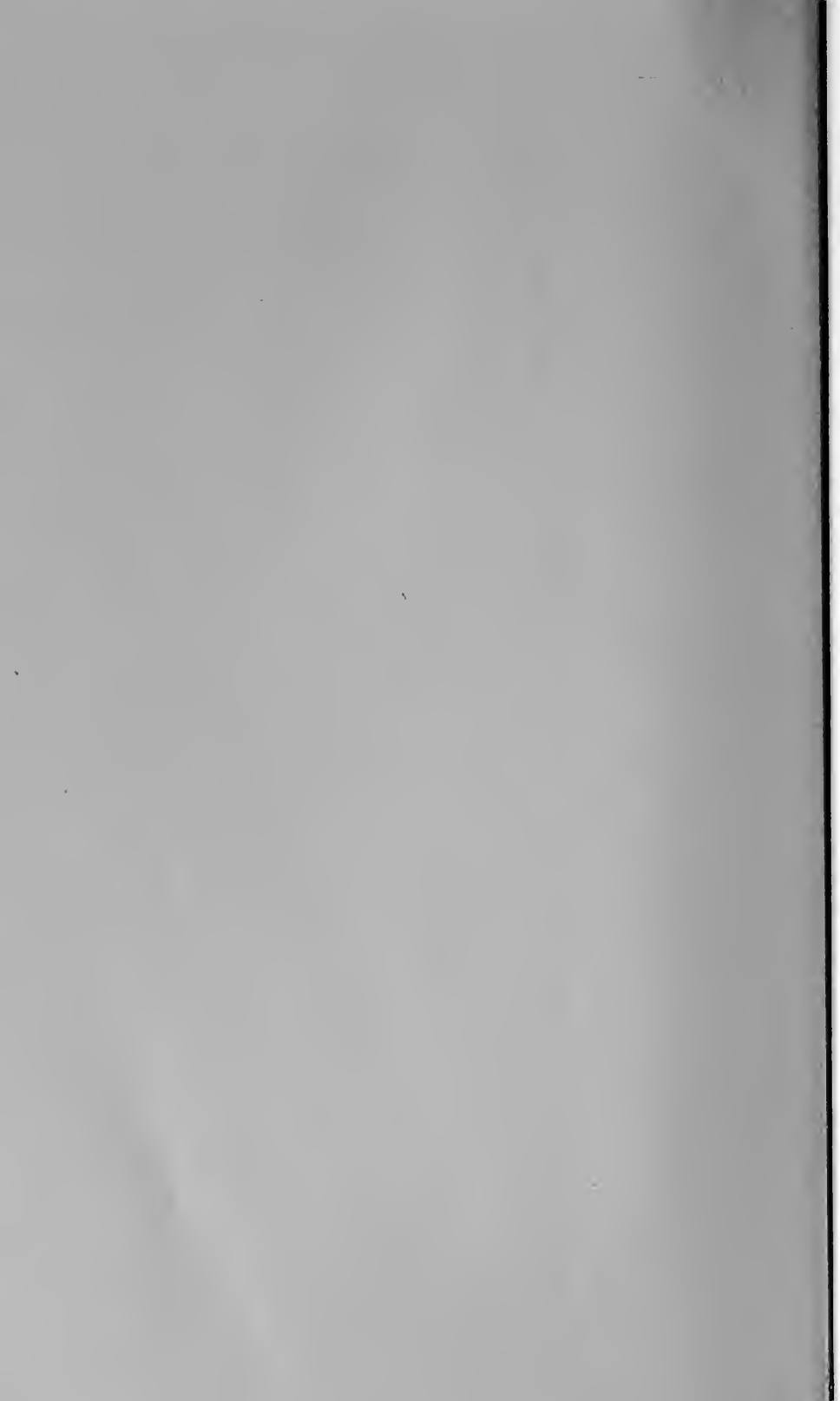
Dated: This 15th day of April, 1959.

MIKETTA and GLENNY,

By C. A. MIKETTA,

*Attorneys for Defendant-Appellant.*





## APPENDIX.

### Pertinent Sections of Title 35, U. S. C.

#### §101. "Inventions patentable

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, *subject to the conditions and requirements of this title.* \* \* \*

#### §102. "Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

(c) he has abandoned the invention, or \* \* \*

#### §103. "Conditions for patentability; non-obvious subject matter

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would

have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. \* \* \*

§111. "Application for patent

Application for patent shall be made by the inventor, except as otherwise provided in this title, in writing to the Commissioner. Such application shall include: (1) a specification as prescribed by section 112 of this title; (2) a drawing as prescribed by section 113 of this title; and (3) an oath by the applicant as prescribed by section 115 of this title. \* \* \*

§112. "Specification

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention. \* \* \*

§115. "Oath of applicant

The applicant shall make oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he solicits a patent; \* \* \*

§120. "Benefit of earlier filing date in the United States

An application for patent for an *invention disclosed* in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States by the same inventor shall have the same effect, *as to such invention*, as though filed on the date of the prior application, *if filed before* the patenting or *abandonment* of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application."

§132. "Notice of rejection; reexamination

"\* \* \* No amendment shall introduce new matter into the disclosure of the invention."

§133. "Time for prosecuting application

Upon failure of the applicant to prosecute the application within six months after any action therein, of which notice has been given or mailed to the applicant, or within such shorter time, not less than thirty days, as fixed by the Commissioner in such action, the application shall be regarded as abandoned by the parties thereto, unless it be shown to the satisfaction of the Commissioner that such delay was unavoidable."

## DEFENDANT'S EXHIBITS

Def's Exh.	Description	Page References in Record			Vol. IV
		Identified	Offered	Received	
A	Cert. File History - Pat. '841	203	203	203	
B	Cert. File History - Pat. '172	203	203	203	
C	Cert. File History - Abandoned Appln. Ser. No. 767,496	204	204	204	
D	Book of Prior Art Patents	205	205	205	1344- 1425
EI-E4	Drawings Attached to Potter's Deposition	(206- (207	(206- (207		1426- 1429
F	Drawing - Halfco Bearing Race Blank Dated: 11/16/51 O.K. 9/4/52	208	208	209	1430
G	Blueprint - Def's Race Ring - Dated: 12/20/54	209	209	209	1431
H	Def's Rod End Bearing: H-10	209	209	209	
I	Two-Piece Bearing: HSPG-10S	209	209	210	
J-1	Section of a Ring - Before Press Forming	210	211		
J-2	Section of a Ring - After Press Forming	210	211		1432-
K	Memo - Hackman 8/23/48	254	262	262	1435
L	Prof. Colwell's Report	587	648	648	1437- 1450
L-1	Drawing - Kahr Process and Potter Process	690 691	691	691	1467
M-1	Pltf's Formed Bearing: BLR-3015	434	435	435	
M-2	Pltf's Formed Bearing: BLR-3015	434	435	435	
N-1	Rod End Bearing	461	468	468	
N-2	Rod End Bearing	461	468	468	
N-3	Ball and Shank	463	468	468	
N-4	Male Die Used For N-1 & N-2	470	470		
N-5	Male Die Used For N-1 & N-2	470	470		
O	Sketch by Tracey	461	461	461	1468
P	Copper Bar	595	690	690	
Q	Pages 81 & 82 - "Plastic Working in Presses"	597	690	690	1469 1470
R	Drawing by Prof. Colwell	628	690	690	
S	Drawing by Prof. Colwell - Diff in Coining & Bending	639	690	690	1471



Def's Exh.	Description	Page References in Record			
		Identified	Offered	Received	Vol. IV
	Drawing by Prof. Colwell - Spring Back	665	690	690	1472
	Sawed-Off Bearing Specimen	758	1153	1153	
-1	Ball and Shank - From Def's Plant	831	869	869	
-2	Completed Press - Formed Rod End	831	869	869	
V	Formed Bearing - Def's Plant	836	870	870	
-1	Tight Bearing - Def's Plant	839	870	870	
-2	Rolled Bearing - Def's Plant	840	870	870	
-1	Bearing - Four Punches	845	870	871	
-2	Bearing - One Punch	845	870	871	
	Drawing Illustrating Straub's Testimony	944	944	944	1473
A	Military Specification	920	943	943	
A-1	Military Specification	923	943	943	
B	Drawing Used by Straub	943	949	949	1474
C-1	Chamber-Type Bearings	954	954	956	
C-2	Chamber-Type Bearings	954	954	956	
E-1	Blueprint - Lockheed Bearing Assy.	959	964	971	1475
D-1	Bearing, O&S Bearing & Mfg. Co.	959	961		
D-2	Catalog, O&S Bearing & Mfg. Co.	959	961		
E-2	Blueprint - Lockheed Bearing Assy.	971	972	973	1476
	Blueprint - Boeing Bearing Rod End	974	974	974	1477
G	Spherical Self-Align. Bearing	977	994	995	1478
I	Blueprint - Def's Bearing Assy.	981	981	981	1479
	Empty Race	993	993	993	
	Bearing - KSSB-12-5 (Thin Walled)	1147	1147	1147	

## PLAINTIFF'S EXHIBITS

Description	<u>Page References in Record</u>			
	Identified	Offered	Received	Attached
1 Potter Patent '841	187	187	187	1295
2 Potter Patent '172	187	187	187	1299
2-A File Wrapper of Pat. '975	188 & 772	773	773	
2-B Potter Pat. '975	188 & 773	773	773	1306
3-A Old Style Bearing Mfg. by Pltf.	191	192	192	
3-B Standard Bearing Mfg. by Pltf.	191	192	192	
4-A Bearing - Kahr HSBG-10	192	306	306	
4-B Bearing - Halfco HSB-10-SS	192	306	306	
11 Prentiss Rod End	189	253	253	
12 Heim Bearing	189	319	319	
13 Messerschmidt Bearing	190	317	317	
14 Bearing - PBR	194	311	312	
15 Notice of Shipment Dated 2/17/45	260 & 261	263	263	1311
16 Shipping Memo Dated 1/22/43	263	264	264	1312
17 Packing List Dated 1/23/45	265	265	265	1313
17-A Blueprint No. B-10051 - 3/2/45	278	280	280	1314
18 Purchase Order Dated 1/15/45	266	267	267	1315
19 Purchase Order Change Notice Dated 2/12/45	269	270	270	1316
20 Packing List Dated 2/13/45	270	271	271	1317
21 Blueprint B-10090 - Stearns Rod End	282	282	282	1318
22 Blueprint B-10100 - Stearns Rod End	284	284	284	1319
23 Upper and Lower Dies	285	290	290	
24 Bearing Assy.	285	290	290	
25 Pltf's Catalog	295	296	296	
26 Envelope Wrapping for Pltf's Bearing	320	320	322	
27 S. W. Catalog No. 551	322	325	325	
28 Douglas Blueprint No. 3511900	326-7	333	335	132
29 Douglas Blueprint	333	333	335	132
30 A-D Photographs of Tolerancing Machine of S. W. Prods.	345	1188	1188	132-132

Description	Page References in Record			
	Identified	Offered	Received	Attached
1 Bearing - Ball Loose	351	351	352	
2 Bearing - Ball Moves Radially	351	351	352	
3 Bearing - Ball Can be Turned by Hand	352	352	352	
4 Bearing - Tight Ball	353	353	358	
5 Bearing - Immovable with Stainless Steel Race	355	358	358	
6 Bearing - Movable with Stainless Steel Race	355-6	358	358	
7 Bearing - Stainless Steel	356	358	358	
8 Bearing - Tight	356	358	358	
9 Purchase Order Dated 12/15/45	437	438	439	1326
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No. 16143

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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AETNA STEEL PRODUCTS CORPORATION,

*Appellant,*

*vs.*

SOUTHWEST PRODUCTS Co., a corporation,

*Appellee.*

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## BRIEF FOR APPELLEE.

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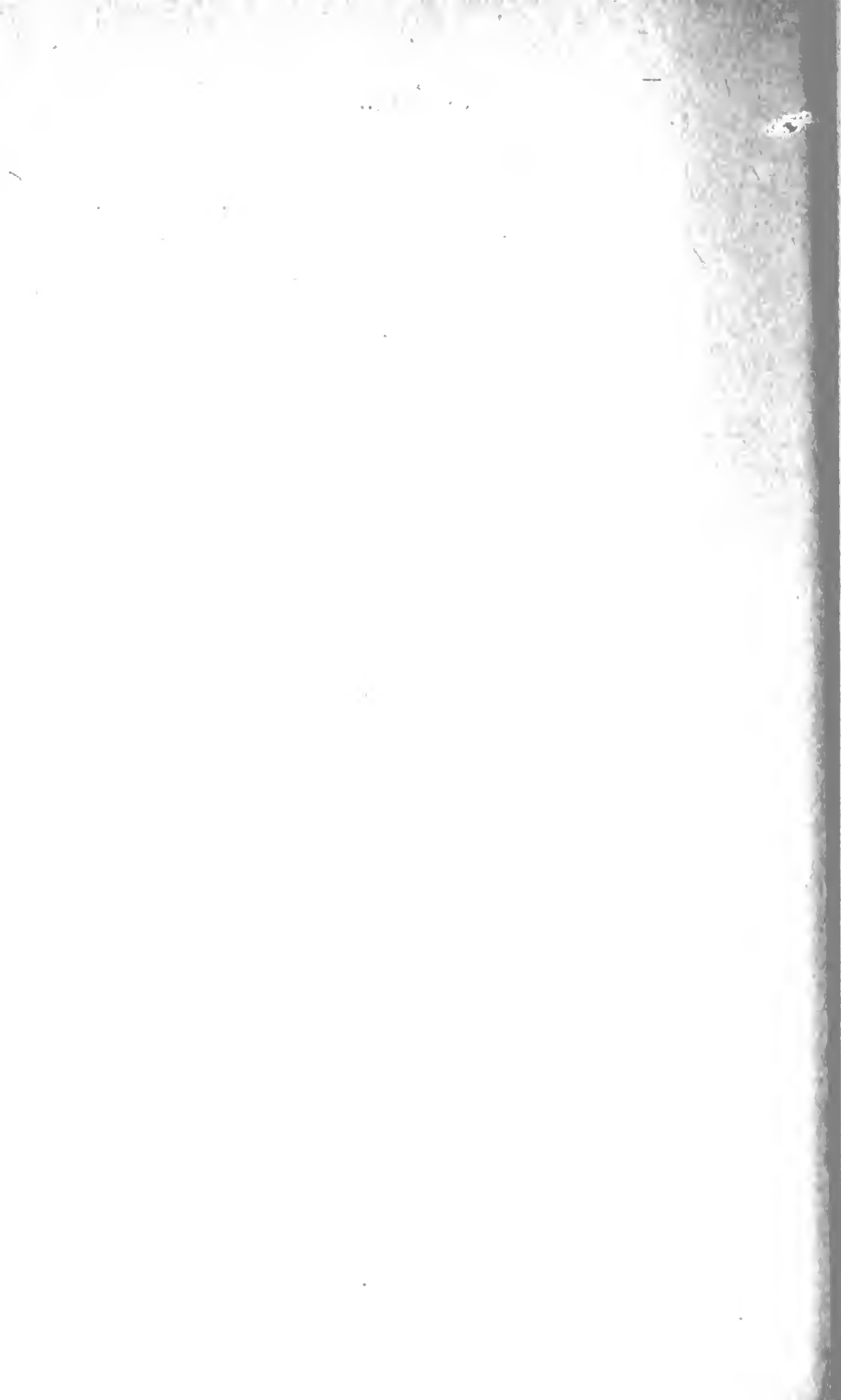
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JUN - 8 1959

PAUL P. O'BRIEN, CLERK



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1871

1871

Name	Age	Sex	Occupation
John Smith	25	Male	Farmer
Mary Smith	22	Female	Homemaker
James Smith	18	Male	Student
Elizabeth Smith	15	Female	Student
William Smith	12	Male	Student
Sarah Smith	10	Female	Student
Robert Smith	8	Male	Student
Anna Smith	6	Female	Student

No. 16143  
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AETNA STEEL PRODUCTS CORPORATION,

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*Appellee.*

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**BRIEF FOR APPELLEE.**

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**I.**

**Statement of Jurisdiction.**

Jurisdiction of the U. S. District Court, Southern District of California, Central Division, is based on the Patent Statutes of the United States [Complaint, R. 3], and this is admitted by defendant-appellant [Answer, R. 6, and Amended Answer, R. 79]. Appellant is referred to as defendant herein and appellee as plaintiff. The District Court's Judgment was entered on June 12, 1958 [R. 175] and defendant's Notice of Appeal was filed on June 13, 1958 [R. 176]. Jurisdiction of the District Court is therefore founded upon Title 28, Section 1338 of the United States Code, and jurisdiction of this Court of Appeals is founded upon Title 28, Section 1292(4) of the United States Code.

For brevity, plaintiff's Exhibits are sometimes referred to herein as "PX" and defendant's Exhibits as "DX".

## II.

### Statement of the Case.

#### A. The Issues—Generally.

The Complaint charges infringement of U. S. Letters Patent No. 2,626,841 [PX-1, R. 1296] issued on January 27, 1953 to Lee R. Potter on "Self-Aligning Bearing" (hereinafter sometimes referred to as the "'841" patent). The Complaint also charges infringement of U. S. Letters Patent No. 2,724,172 [PX-2, R. 1299] issued on November 22, 1955 to Lee R. Potter on "Method of Forming a Self-Aligning Bearing" (hereinafter sometimes referred to as the "'172" patent). Both of these patents were assigned to plaintiff, Southwest Products Co. [Finding I, R. 155; Pretrial Conference Order, R. 86].

The issues involve generally the validity and infringement of these two patents. The validity of these two patents was the subject of defendant's Motion for Summary Judgment [R. 42]. The Hon. William M. Byrne, United States District Court Judge, prior to actual trial of the case before the Hon. Pierson M. Hall, United States District Court Judge, denied that Motion [R. 68]. Judge Byrne also denied defendant's Renewed Motion for Summary Judgment [R. 78].

This action was tried before Judge Hall. The District Court's Opinion [R. 1283], Findings of Fact, Conclusions of Law and Judgment [R. 155] held claims 1 and 2 of the '841 patent in suit valid and infringed and also held claims 1, 2, 3, 4 and 6 of the '172 patent in suit valid and infringed, and awarded an injunction against further manufacture and sale thereof by defendants.

The only general issues before this Court on appeal are as follows:

(1) Did the District Court err in holding claims 1 and 2 of U. S. Letters Patent No. 2,626,841 in suit valid?

(2) Did the District Court err in holding claims 1 and 2 of U. S. Letters Patent No. 2,626,841 infringed by defendant?

(3) Did the District Court err in holding the claims of U. S. Letters Patent No. 2,724,172 in suit valid?

(4) Did the District Court err in holding claims 1, 2, 3, 4 and 6 of U. S. Letters Patent No. 2,724,172 in suit infringed by defendant?

**B. The Potter Patents in Suit—Generally.**

Potter Patent 2,724,172 [R. 1300] refers to Potter Patent 2,626,841 and was copending therewith in the United States Patent Office and was filed as a result of a requirement by the Patent Office that a division be made under 35 U. S. C. 121 [Finding LIII, R. 170]. All claims of the '172 patent are readable on the disclosure in the '841 patent [Finding LIV, R. 171]. The disclosure in the Potter '841 patent is sufficient to allow one skilled in the art to practice the method claimed in the '172 patent and to produce the article claimed in the '841 patent [Finding XLVIX, R. 169].

The '172 patent [R. 1300] relates to a process of forming the bearing of the '841 patent by press-forming, swedging or coining a cylindrical race around the ball and then liberating the race from the ball [Finding III, R. 156].

In forming the bearing of the '841 patent according to the process of the '841 or '172 patents, press-forming, swedging or coining of the race about the ball results in a condition in which the outer periphery of the race is stressed to place the same under tension and the inner periphery of the race is compressed. The stress pattern thus achieved is used to advantage in the liberating step in which the race is freed from the ball in controlled amounts by applying a rolling force on the outer periphery of the race [Finding VII, R. 156].

### C. The Invention—Generally.

The Potter invention is a process of making self-aligning bearings and self-aligning bearings produced by the process. The bearing is best described by the method of making it. The bearing is a proprietary item sold by plaintiff and defendant to the aircraft industry. The bearing of the '841 patent was dependent upon the discovery of the method disclosed in the '841 patent and claimed in the '172 patent.

*Self-aligning* bearings are used in aircraft with or without lubrication and are not to be confused with anti-friction bearings in which there is rotation of a shaft constrained to rotate about a fixed axis as in, 'for example, a needle bearing. One important concept is that a ring is first formed so tightly around a ball that the ball cannot be moved by hand, *i.e.* the ring is initially bound to the ball. Another important contribution by Potter is that the clearance between the only two elements which comprise his self-aligning bearing may be *adjusted and controlled* [R. 908, 1009] so that indeed there may exist a preload condition as in plaintiff's pedestal-type self-align-



ing bearings [PX-14] used in supporting aircraft engines in the Douglas C-133 aircraft [R. 334]. In this particular instance [PX-14] the clearance is so adjusted that a large static frictional force purposely exists and hence there is no relative movement between the two parts unless a large torque having a value in excess of 100 inch-pounds is applied [R. 311]. In other instances, the stress in the cylindrical race seat is adjusted [PX-3B] to allow more free movement of the ball depending on its use within the aircraft.

An aircraft, in flight, is flexed and carries different controls and parts which must remain continuously operative when and as the aircraft is flexed and subjected to vibration [R. 948]. These controls are operated by a force transmission system involving a series of interconnected rods, links or levers, the particular arrangement of which is usually dictated by space availability and the forces required to be transmitted to operate and to maintain the controls in adjusted positions. These transmitted forces are both of the pushing and pulling types, *i.e.*, of the tension and compression types, and are applied from one rod or lever to another interconnected rod or lever at different angles which change either as the control is operated and as the aircraft flexes.

To effect and allow the transmission of these compression and tension forces which are applied by the adjacent rods or levers at changing angles, self-aligning bearings interconnect such rods or levers.

For these purposes the Potter self-aligning bearing includes only *two* parts, *i.e.*, (1) a ball having a bore there-through which serves as a means for attaching the ball to

one of such rods or levers [PX-3B] or to an aircraft engine for mounting the same [PX-14]; and (2) an outer cylindrical ball seat for attachment to the aircraft fuselage [PX-14] or to an adjacent rod or lever [PX-3B], such ball seat being in each instance [PX-3B or PX-14] uniquely fabricated with respect to the ball to provide not only *the* bearing seat for the ball, but to provide also a ball seat which is in such stressed condition that the clearance between it and the ball may be conveniently and accurately controlled or adjusted, starting from an initial condition of very small or "zero" clearance.

One of the most startling features of the Potter inventions is the difference in degree of the magnitude of the forces required in the two steps of forming and liberating. Thus, the Court witnessed the manufacture of plaintiff's Exhibit 63 at plaintiff's plant wherein the race was performed about the ball in a press exceeding 250 tons in pressure and then liberated by tapping it about the periphery with thirty-six taps followed by a final thirteen or fourteen additional light taps to remove tight spots [R. 824, Finding XX, R. 163]. It is significant to note also that the intensity of these individual liberating forces are comparable to those vibrational forces to which the bearing is subjected in subsequent use in aircraft, yet such vibrational forces do not deteriorate the bearing. Thus, the manner in which such liberating forces are applied has some significance in establishing the unobviousness of the Potter invention.

Contrary to defendant's statements, plaintiff does not contend that invention resides in any particular value of clearance or end play; but plaintiff does rely on the new means and techniques forming the basis of the Potter

claims whereby a greatly improved, new and useful self-aligning bearing is produced in which the stress pattern developed in the single-piece ball seat, while being press-formed around the ball, may subsequently be used to advantage to achieve a controlled liberation [Finding VII, R. 156]. The liberation may be so controlled by these means and techniques to achieve a uniformly liberated ball [PX-3B] or a uniformly preloaded ball [PX-14; Finding XIII, R. 159].

The disclosure in the '841 patent, addressed to one skilled in the art, clearly describes *how* clearance is accomplished and the claims relate that structure responsible for such controlled or adjusted clearance.

#### **D. History of Potter Invention and Plaintiff.**

The history of the Potter invention and plaintiff go hand-in-hand. Both were conceived and developed with little capital. On the strength of the Potter invention, plaintiff today is a flourishing manufacturing business devoting substantially all of its efforts to manufacturing bearings in accordance with the teachings of the Potter patents [R. 829; Finding XLVII, R. 169].

During its infancy in 1944, many different persons having knowledge of the shortcomings in prior art bearings and realizing the value of the Potter invention, associated themselves with the Potter invention. These persons included Lee R. Potter, Kenneth V. Hackman, Ward D. Tracy, Alfred L. Spangenberg and Fred P. Silva [R. 253, 255, 257; Finding IX, R. 157]. These persons in 1945, adopted the names Halfco and Stearns, Halfco being the manufacturing entity and Stearns being the sales and engineering entity [R. 259]. Potter, Spangenberg and

Silva were partners in Halfco [R. 281] but this partnership was discontinued in 1945 because of the poor financial condition of Potter, the inventor [R. 292] and Potter, financially aided by Hackman, then started manufacturing bearings first under the name Stearns [R. 293] and later under the present name of plaintiff—Southwest Products Co. [R. 294]. The Potter spherical swedged bearings have met with wide acceptance and are produced not only by plaintiff and defendant but also by others [Fred A. Straub Affidavit, R. 939].

#### **E. History of Defendant.**

Spangenberg and Silva, former partners of Potter, continued to operate under the name Halfco and sold bearings to defendant Aetna. Such bearings were initially made by Straub for Halfco, as a sub-contractor, doing business under the name Frand Tool Co. [R. 473, 475]. Straub was required to be taught by Spangenberg to make such bearings [Finding X, R. 158, 500, 501]. Spangenberg, one of Potter's partners, was the die maker who made the original die for making the first of plaintiff's predecessor's bearings [Finding IX, R. 157]. On January 1, 1953, defendant, a New York corporation, purchased Straub's business; and Straub is now Manager and Vice President of the local Kahr Bearing Division of defendant.

Defendant recognized that there was invention in the process taught Straub by Spangenberg by defendant's taking a license from Halfco. Essentially all of the bearings made by defendant under the license were essentially of the same type and construction as those produced by plaintiff in accordance with the Potter invention [Finding XII, R. 158].

The process employed by defendant in its manufacture of two-piece spherical swedged bearings and rod ends does not differ in any essential respects from the process taught to Fred. A. Straub by Spangenberg [Finding XI, R. 158].

#### **F. The Witnesses.**

At the trial, plaintiff called Kenneth V. Hackman and W. D. Tracy, both of whom were associated with the Potter invention from its inception in 1944 and who testified respectively as the President and General Manager of plaintiff. Plaintiff also called G. A. Stock, its General Production Foreman, for an explanation of the techniques and apparatus used by plaintiff. Plaintiff called Fred A. Straub as an adverse witness.

Also, plaintiff called Thomas Barish, an expert with over 35 years' experience in the bearing art beginning as an engineer with SKF Industries in 1920 and being now a consultant in bearings for large airplane and automobile manufacturers. Mr. Barish is a member of the American Society of Mechanical Engineers, the Institute of Aeronautical Sciences, the Society of Automotive Engineers and the Society of Experimental Stress Analysis.

In 1952 Mr. Barish was clearly recognized by the United States Government as an expert on bearings when he was employed by the Air Force as a member of a team that investigated the ball bearing industry of all of Western Europe [R. 512]. Mr. Barish now does work on the average for about 25 different companies each year and his specialty is bearings [R. 512]. In addition, Mr. Barish has published approximately 27 technical articles over the past 27 years [R. 513] and has about 30 patents is-

sued in his own name [R. 536]. The Trial Court recognized Mr. Barish as an expert on bearings and allowed him to express his opinion with respect to Potter's contribution to the art [R. 521, 1011].

Defendant called only two witnesses: Fred A. Straub, Manager of its Kahr Bearing Division, and Lester V. Colwell, a college professor, as an expert whose experiences are largely those of a college instructor and professor [R. 593]. Mr. Colwell did not profess to be an expert in bearings or rotating machinery but his recited activities are mainly in the metal stamping or metal processing art without any particular reference to bearings [R. 592]. Apart from lacking qualifications as an expert in the bearing art, Mr. Colwell based his report [DX-L], on bearings furnished to him by defendant which were *not* representative of defendant's production; and, indeed, Mr. Colwell made no tests on defendant's commercial product [Finding XXXVI, R. 745, 747, 749, 755, 1033, 1036, 1041, 1044].

In addition to hearing witnesses in the courtroom, Judge Hall visited plaintiff's and defendant's plants during regular working hours where he also heard witnesses and observed and inspected their manufacturing processes and bearings and had an opportunity to be more fully appraised of the extent of plaintiff's and defendant's bearing manufacture [R. 793-861, PX-68-74].

#### G. Prior Existing Commercial Bearings.

Prior to the Potter invention, the practical art, as represented by the Prentiss bearing [PX-11], the Heim bearing [PX-12] and the Messerschmidt bearing [PX-13], was in many cases unsatisfactory and a long felt want existed

for a simple, heavy duty, two-piece continuous spherical bearing [Finding IV, R. 156].

Of these three bearings, the Messerschmidt bearing [PX-13] is the only one which may be considered as a two-piece bearing but it involves a different manufacturing process, and a different coaction between the ball and the outer race member, largely as a result of the different manufacturing process; and further it has some disadvantages which are obviated by the Potter invention.

The Messerschmidt bearing, sometimes referred to as a slide or slot-type bearing [R. 317], involves a manufacturing process in which the outer race member is machined and has a portion cut out to provide a keyhole-type slot to allow the ball to be slid into the outer race member [R. 316]; and no forming operations are involved. When the ball is turned a certain way, it will drop out of its seat.

Thus, the Messerschmidt-type bearing, due to the keyhole slot for the ball, is limited in its application. The designer or user is limited to placing the bearing in such position that the load on the bearing is not in the direction of the keyhole slot [R. 964].

The Prentiss rod-end bearing [PX-11] involves the use of an outer member, a ball, a rubber insert, a washer and a portion of the outer member peened or staked to retain the assembly comprising the washer, rubber insert and ball. These washers in the field or in service in aircraft fall out and cause the bearing to fail [R. 251, 252, 385]. It appears very doubtful that the Prentiss-type bearing is being manufactured today [R. 373, 386].

The Heim bearing [PX-12] and Heim Patent 2,476,728, DX-D, or [R. 1419], has a machined outer holder with a rib on the inside to act as stops for bronze inserts which are inserted between the ball and holder [R. 318]. Under vibration these inserts 14, 15 shown in the Heim Patent 2,476,728, tend to loosen and in some cases have actually fallen out together with the ball [R. 319].

Self-aligning bearings used in the automobile industry are illustrated in the Skillman Patent 1,793,874 [R. 1371] and these involve four-piece bearings involving bending sheet metal around "fibrous or compressible materials" [R. 637].

The bearings as manufactured by the plaintiff and its predecessors were instantaneously successful, accepted by the trade and satisfied the long felt want mentioned above [Finding V, R. 156].

#### H. Patented Art.

Defendant relies on disclosures in at least 14 patents which are listed below in alphabetical order.

##### H 1. The Birchwood Patent 1,050,422.

Birchwood 1,050,422 [R. 1345] cited by the Patent Office discloses a coupling and (1) the method of producing the same is distinctly different, and

(2) the coupling he uses in such different manufacture is distinctly different, and

(3) the ball 20 is not engaged by a continuous cylindrical portion of the outer coupling member since the method disclosed depends on forming the slotted portion 14; *i.e.*, the ball is not engaged by a ring, and



(4) Birchwood bends *two cantilever*-supported elements indicated at 15 together, whereas in the instant invention a continuous ring is compressed in even contact with a ball, and

(5) since Birchwood's outer member is not in the form of a continuous ring, the same cannot be subjected to rolling pressures or the like for achieving stresses and/or achieving a controlled amount of clearance between the movable elements, and

(6) any stresses produced by Birchwood in bending the *two cantilever*-supported elements indicated at 15 are considered undesirable by Birchwood and he thus prefers to relieve such stresses by tempering so as to strengthen his inherently weak structure. On the other hand, the instant invention does not consider the stresses produced in manufacture to be a disadvantage but, indeed, the resulting stress pattern is used to advantage in performing the subsequent step in the process, *i.e.*, to aid in freeing the ball from the heavy metal continuous ring which is pressed in binding engagement with the ball, and

(7) Birchwood does not show, suggest or teach that the outer member should be pressed in binding engagement with the ball to achieve important purposes of the instant invention, namely, to achieve a controlled amount of clearance between the inner and outer member, starting from zero clearance.

(8) Birchwood provides no suggestion or teaching whereby his ball could be freed even though it accidentally were locked in the outer member. If such an accident did occur, one skilled in the art would not apply a rolling pressure or the like to the cantilever-supported elements indicated at 15 but would use a tool somewhat like a

screwdriver to pry such elements apart. In any event, a uniform and/or controlled clearance between the ball and the outer member would not result. Furthermore, in a strict sense, Birchwood does not provide a two-piece coupling since the ball 20 is considered as one element and the purposely formed cantilever elements 15, 15 are considered as second and third elements which are purposely formed to move relative to each other.

## H 2. The Chambers Patent 2,382,773.

The Chambers patent 2,382,773 [R. 1406] was cited by the Patent Office during the prosecution of both the '841 and '172 patents; and the Chambers method and bearing have not been in commercial use [Finding XXII, R. 164].

There is grave doubt that bearings may be made following Chambers' teachings [R. 337, 455]; and defendant's Exhibits N-1, N-2, N-3, AC-1 and AC-2 are not built in accordance with the Chambers patent [Finding XXXI, R. 1131.]

Chambers shows a four-piece bearing which includes, in Figures 2 and 3, the ball 10A, the "part" 11A and a pair of wedge-shaped washers 23 in circular V-shaped grooves in each side of the main body part 11A. These circular V-shaped grooves are cut in the race member (thereby weakening the same) to leave some lips or up-standing pieces of metal 20A and these lips 20A are subsequently bent inwardly, after which the wedge-shaped washers 23 are inserted in the precut grooves. Chambers' forming operation is confined only to deforming lips [R. 619, 1022] and Chambers requires such grooves [R. 624, 625]. The Chambers patent does not mention, suggest or

teach a binding action and does not contemplate a subsequent loosening operation.

In manufacture, the dies 20 and 21 are used to pinch a portion of part 11A, *i.e.*, a pair of lips, around the protruding ends of the ball, solely for the purpose of retaining the ball and not for producing binding engagement therewith. Since formation of the lips results in weakening of the part 11A, a pair of wedge-shaped washers are required to be inserted in the grooves on opposite sides of the part 11A. Any stress pattern developed in deforming such lips is not used to advantage in subsequent loosening for the simple reason that no loosening is contemplated. There is absolutely no suggestion or teaching in Chambers that the ball be actually bound against rotation at any time of manufacture. Still further, there is no teaching in Chambers that rolling pressure or the equivalent be applied to the part 11A to free the ball (which, of course, in Chambers is not locked).

The other arrangement shown in Figure 1 of Chambers is also a four-piece bearing which includes a ball 14, a part 11 and a pair of pellets 20, 20 which are "melted and fill the space on opposite sides of the web 18." The modified pellets 20, 20 do not bind the ball but the reverse is true, *i.e.*, they "permit a free uniform movement of part 10 without any binding." Likewise, there is no teaching or suggestion in Chambers that a rolling force or the like should be applied to any part to achieve a desired clearance.

### H 3. The Erickson Patent 1,481,000.

The Erickson Patent 1,481,000 pertains to a retainer for balls in a ball bearing construction. There is no effort to produce a binding engagement or a very intimate con-

tact between the ball and ball retainer. Further, there is no showing, suggestion or teaching of a liberating step [R. 1012].

#### H 4. The Fiegel Patent 1,693,748.

The Fiegel Patent 1,693,748 [R. 1368] was cited and considered by the Patent Office during the prosecution of the '172 patent. The Fiegel bearing is made by placing babbitt 14 within a steel shell 11, shaping the babbitt to form a hemispherical recess, introducing a ball into the recess and then closing in the end of the recess to confine the ball. Babbitt has very little spring-back and it is unlikely that it could be made to bind the ball [R. 1013]. The Fiegel bearing is thus not a two-piece bearing and a spherical socket is machined in it [R. 709]. The babbitt metal is not coined about the ball; and very intensive force applied to the babbitt would squeeze it out [R. 711].

Figure 6 of the Fiegel patent teaches a die which is not confining and one which exerts force in only one local direction [R. 1111] for purposes of bending in a retaining lip.

Fiegel is limited to a material which is highly yielding such as babbitt or a very soft copper and will not work with materials such as bronze [R. 1113, 1114]. In any event, it is clear that Fiegel does not contemplate or provide a method whereby a ball is bound against rotation. Also, there is no teaching that a rolling pressure be applied for production of a uniform clearance. Indeed, the Fiegel disclosure is less pertinent than Chambers 2,382,773 [R. 1046] which was also cited by the Patent Office and which has two bent lips instead of one bent lip as in Fiegel. The Chambers patent was the subject of abundantly

much more testimony than the Fiegel patent and the Trial Court has given ample consideration to both Chambers and Fiegel. Neither Fiegel nor Chambers teaches Potter's new method or the two-piece bearing resulting therefrom.

#### H 5. The Heim Patent 2,476,728.

The Heim Patent 2,476,728 [R. 1419] was cited by the Patent Office during the prosecution of both the '841 and '172 patents. The Heim Patent 2,476,728 relates to the manufacture of a four-piece bearing of the Heim type [PX-12]. This is in contrast to the Potter bearing wherein a two-piece bearing is provided. Many bearings were made commercially in accordance with the Heim patent and it was generally accepted, prior to the Potter invention, that it was impossible or not feasible to make a two-piece bearing consisting simply of a ball and an outer race member unless the outer race member were provided with a keyhole-type slot through which the ball may be inserted as illustrated by the Messerschmidt bearing [PX-13]. Thus, an alternative construction involves the use of inserts such as the inserts 14 and 15 of Heim.

Heim designates the preformed inserts 14 and 15 as "bearing rings" and they are rightfully designated so since they bear against the ball. These bearing rings 14 and 15 are not press-formed around the ball but are preformed and then inserted between the ball 16 and the outer holder 12.

In Heim's manufacture, there is *no* press-forming of either the bearing rings 14 and 15 or the holder 12 around a ball.

Apart from facilitating the manufacture of bearings, the Potter invention serves to provide an improved bearing in which there is a maximum contact area between the ball and the bearing ring. In this respect, the bearing rings 14 and 15 in Heim are separated from each other by an air gap, thereby rendering the amount of otherwise available contact area unavailable. This is of importance in providing a small-size bearing capable of accommodating large tension and compression forces.

The holder 12 of Heim cannot be considered to be "an outer race member" since it does not contact the ball 16.

It is observed also that the amount of pressure applied to the holder 12 of the bearing rings 14 and 15 inserted between the holder 12 and ball 16 is very critical; otherwise there is a great likelihood that the bearing rings 14 and 15 may be loosened too much and, indeed, fall out during manufacture or subsequently after use.

Heim does not free a ball from an outer bearing race by applying his force to such bearing race since the force in Heim is not applied to the bearing rings 14 and 15 but to the holder 12 to produce relative movement between, on the one hand, the holder 12 and the bearing rings 14 and 15, *i.e.*, to loosen such bearing rings 14 and 15 [R. 779]. Further, the application of force to the holder 12 in Heim does not change a stress pattern in the bearing rings 14 and 15. Indeed, Heim uses his force in an entirely different manner and the effect produced is quite radically different from what Potter envisages as a liberating step. Further, in Heim the ball 16 is not locked by press-forming either the holder 12 or the bearing rings 14 and 15.

Thus, the Heim bearing is manufactured in distinctly different manner and the completed bearing is distinctly different structurally.

**H 6. The Hoern Patent 1,798,738.**

In the Hoern Patent 1,798,738 [R. 1376] a hard solid ball purports to be forced into solid metal, *i.e.*, a hexagon-headed stud, to produce an indentation or cavity slightly greater than half the diameter of the ball with an upper marginal lip retaining the ball. The ball is in the end of the hexagon-headed stud with only a portion of the ball protruding. This is an entirely different structure than that contemplated and claimed as being the Potter invention. The ball in Hoern cannot be attached to a member for the transmission of tension forces and thus a different structure is involved.

In Hoern the outer member is not pressed around the ball as in the instant invention and furthermore Hoern, instead of requiring only one die-forming operation, requires two die-forming operations. In the first die-forming operation shown in Figure 2 of Hoern, the ball is not used at all but the end of the stud I is "upset" and the upsetting process results in a haphazard distribution of stresses which certainly does not follow applicant's stress pattern and such stresses are not such as to be of advantage in further manufacture of the structure.

In the second die-forming operation shown in Figure 4, the ball is squeezed into the end of the stud to form only one ball-retaining lip 10.

Hoern is not concerned with the size of the clearance or its uniformity since he prefers to loosen his ball by

heating and quenching [R. 1016] and also suggests a crude manner of applying hammer blows to three flats on the hexagon-headed stud. This procedure, considering the condition of the preformed metal indicated in Hoern Figure 2 and the fact that the stud is not cylindrical but is in the form of a butt-ended hexagonal stud, does not allow a uniform and controllable clearance [R. 1015, 1096]. For the type of loosening envisaged by Hoern, considering the fact that he prefers to use quenched heat, hitting the stud at three sides would be enough for Hoern's purposes [R. 1096]. Hoern certainly does not contemplate the application of a rolling pressure or its equivalent as explained under heading I, *supra*, since Hoern's stud is not round but hexagonal. In other words, in Hoern there is no liberating force applied to a median portion of a cylindrical ring which has a preformed favorable stress pattern for facilitating the freeing of the ball and for assurance of a uniform clearance at all regions between the ball and the outer race member. Further, the Hoern bearing could take very little or almost no radial load because the flat on the ball at the top could not transmit it. Therefore, in Hoern no effort is made to cause the bearing to take any such load or to maintain small clearance in the radial direction [R. 1100].

**H 7. The Offutt Patent 1,100,695.**

The Offutt Patent 1,100,695 [R. 1350] pertains to "apparatus for making seamless tubes" and provides means for loosening tubing from an arbor. The Offutt patent thus does not relate to the production of bearings and, indeed, the means contemplated by Offutt affords only a very coarse loosening [R. 1009].



H 8. The Paulus et al. Patent 2,480,043 Is. Not Prior Art.

The Paulus et al. Patent 2,480,043 [R. 1423] was filed on May 15, 1945 and there is sufficient evidence in the record to establish Potter's invention dates prior to Paulus' filing date. Please note that Potter had completed his invention and that an order was received from Ryan for 2012 bearings [R. 269, PX-19] in February 1945. Thus, in accordance with *Milburn v. Davis-Bournonville*, 270 U. S. 390, the Paulus disclosure may not be used as a reference. Even if the Paulus disclosure could be used as a reference, which plaintiff denies, the same is insufficient for defendant's purposes for the following reasons.

Paulus et al, 2,480,043, relates to a method of journaling a shaft in a bushing and involves the manufacture of an entirely different article. The difference lies mainly in the fact that a cylindrical "shaft" and a "ball" are two distinctly different elements and are used for different purposes and further, their assembly involves different manufacturing techniques.

Paulus is not interested in *press-forming* an element around another element to lock the same and then applying a mechanical force to provide looseness. Further, Paulus is not concerned with the production of bearings in which one of the bearing elements is a ball. Also, Paulus is not concerned with the development of a stress pattern, as in the instant invention, that is used to advantage in achieving a controlled amount of uniform clearance. The bushing 2 is a thin-walled element of uniform thickness and is included between the shaft 1 and an outer body member 10. This is because the thin-walled bearing 2, as such, is not suitable for an outer bearing

member, the body member 10 being provided for such purpose. Further, the bushing 2 does not *retain* the shaft. There is no suggestion or teaching that the outer bearing member 10 be press-formed around a ball or a shaft or that there be a force applied to such outer member 10 for loosening purposes. Thus, strictly speaking, the bearing of Paulus is at least a *three-piece* bearing with elements at 2 and 10 and with the bushing 2 being in the form of an insert. Distinctly different problems are involved in making a *three-piece* bearing with a *rotatable shaft* than there are involved in making a device as in the instant invention, namely a *two-piece* bearing in which one of the two elements is a *ball*.

#### H 9. The Porter Patent 1,123,796.

Porter No. 1,123,796 [R. 1357] discloses a three-piece joint that includes the packing 14A cooperating with a flattened ball to prevent binding. The packing 14A is lodged so that it may be stressed on movement of the ball and is stated by Porter "to be especially desirable to provide the packing with some form of lubricant." On the other hand, the Potter invention eliminates the necessity for any packing. The ball is retained in Porter against a resilient packing about the "upper inturned edges" of the socket. The joint thus provided depends solely for retention of the ball on the "upper inturned edges" and is inherently weak [R. 1009, 1110]. The packing material 14A, because of its resilient nature, prevents binding of the ball in the socket when the upper end of the socket is inturned. This is distinctly contrary to the teachings of the Potter invention wherein binding is accomplished between the inner and outer race members and on the maximum

large extended continuous area, *i.e.*, not only along an edge. Porter is not concerned with the problem of freeing a ball once it has been locked during its manufacturing process since the ball is prevented from binding due to the resilient packing 14A. Furthermore, Porter's socket is not adapted for the application of rolling or other pressures to relieve stresses.

**H 10. The Skillman Patent 1,793,874.**

The Skillman Patent 1,793,874 [R. 1371] relates to a four-piece bearing constructed of thin sheet metal [R. 712, 1014]. Skillman uses "fibrous or compressible" materials and is intended primarily for use in automobiles [R. 637]. The Skillman patent does not show, suggest or teach coining; and the metal-bending operation of Skillman is distinctly different from coining [R. 637]. The Skillman patent does not show, suggest or teach a metal-forming operation in which a ball is bound; and consequently, the same does not show, suggest or teach any liberating process.

**H 11. The Spangenberg Patent 2,462,138 Is Not Prior Art.**

The patentee in Spangenberg 2,462,138 [R. 1412] is no stranger but is the same Alfred L. Spangenberg who was one of Potter's partners in the earliest days of Halfco and was in a position to see Potter's designs [R. 280, 281; PX-17A, PX-21]. The Spangenberg patent may not be considered as prior art for the additional reason that its filing date is November 28, 1945 which is subsequent to the filing date of the '841 patent and effective filing date of the '172 patent, *i.e.*, subsequent to July 23, 1945.

*Milburn v. Davis-Bournonville*, 270 U. S. 390.

Defendant's loosening is accomplished not only by the use of a removable grease film but by the same techniques which Spangenberg taught Straub prior to issuance of the Potter patents [R. 500, 503]; and these comprise rolling [R. 940] as well as the application of hammer blows evenly around the center line of the outer one of a two-piece bearing [R. 941].

Although defendant applied the Spangenberg patent number to some of the bearings which defendant made in connection with a license agreement with Halfco, very few, if any bearings at all, were manufactured under the Spangenberg claims [R. 299, 307], these claims being directed to the concept of a removable grease film between the ball and race member.

#### **H 12. The Taylor Patent 2,382,439.**

The Taylor patent 2,382,439 [R. 1402] relates to a method for making outer ring members for Messerschmidt bearings [R. 635]. Please note carefully that the outer ring 5 is formed around an auxiliary "former member 9" and *not* around the ball of the finished bearing. After the forming operation, the former member 9 is removed from the ring 5 as illustrated in Figure 6 of the patent. This means that after the forming operation shown in Figure 4, the former member 9 must first be rotated to a position shown in Figure 5. Consequently, it cannot be stated that the former member 9 is completely bound in the ring 5 after the forming operation; otherwise the member 9 could not be rotated to the position shown in Figure 5. This is acknowledged by Colwell [R. 636] in which he characterizes the former member 9 as being "badly frozen" in the ring 5. Further, after the

member 9 is rotated to the position shown in Figure 5, it is pushed out of the ring 7 to produce "a miserable looking mess" [R. 636]. The forming operation accomplished by Taylor is quite different from the operation performed in Chambers [R. 637].

There is no mention of loosening or liberating in Taylor and while the Taylor patent indicates that the member 9 is very strongly held yet this cannot be so since otherwise the former member 9 could not be rotated through 90 degrees as indicated in Figure 5 [R. 731]. Indeed, the former member 9 has no hole therethrough and thus if it were not relatively loose in the ring, considerable difficulty would be encountered in rotating the same [R. 732].

Taylor uses the former ring 9, Figure 4, repetitively in making each successive race [R. 896]. In Potter each bearing uses its own ball as a member of the composite die in contrast to Taylor which requires an auxiliary die. This involves more than a mere matter of choice or degree in that Potter teaches and uses the concept of coining a ring to fit the bearing ball itself exactly and intimately over the entire surface of the race ring [R. 898].

Taylor does not obtain a bearing with an intimate and direct contact; he only obtains an intimate and direct contact on the die piece not later used in the bearing [R. 1019]. Since the former ring 9 is not tightly bound in the ring 5, Taylor does not require loosening since he just forces the die piece out of the ring to replace it later by a new ball which becomes part of the bearing; and that means that the fit which exists in the final bearing is subject to (1) machining tolerances of the ball; and (2) variations in the ring 5 formed on a die piece 9 which

is not the piece used in the bearing [R. 1019]. While the initial stress pattern set up in forming the ring 5 about the auxiliary forming ring 9 closely resembles that existing in the Potter race ring, the stress pattern in Taylor is detrimentally altered in the process of pushing the former ring out of the race [R. 1020]. After the forming operation in Taylor a two-piece assembly exists, not a two-piece bearing [R. 1132].

**H 13. The Townsend Patent 2,335,710.**

The Townsend Patent 2,335,710 [R. 1400] relates to bullet core stripper machine for "removal of jackets from the steel cores of armor piercing bullets for the purpose of salvaging steel cores." Obviously this patent does not relate to the manufacture of bearings. There is obviously not involved here the question of press-forming an element around another element to establish a stress pattern which is used to advantage in achieving a controlled amount of uniform looseness between any two elements . . . not to mention bearing elements.

**H 14. The Weibull Patent 1,465,700.**

Weibull, 1,465,700 [R. 1360] discloses a roller cage for thrust bearings which is an entirely different article than that with which the present invention is concerned. The balls are retained by "edges 5" which are bent around the balls. The manner in which such "edges" are bent is left to conjecture. Furthermore, the balls are never locked by such "edges" and even if they were accidentally locked, the structure is such that the ball could not be freed by applying a rolling pressure or the like thereto. This patent thus fails utterly to provide a teaching that an outer race member should be formed around a ball into binding

engagement and then freed by the application of rolling pressure or the like [R. 1011]; and indeed, the structure is not such that the rolling pressure or the like may be applied thereto.

**I. Limited Equivalence of Pressure Rolling and Hammering.**

Pressure rolling and hammering with respect to the Potter invention and plaintiff's and defendant's production are equivalent only when the cylindrical race member is tapped evenly along evenly spaced points on its circumference in a manner analogous to the application of a rolling pressure.

The '841 and '172 patents clearly teach the application of a uniform force applied uniformly along the circumference of the outer cylindrical race member. This teaching is incorporated in plaintiff's commercial production [R. 347, 361, 364]. Thus, Stock testified at pages 363-365:

"The Court: It could be done by hammering?

The Witness: Yes.

The Court: By tapping it?

The Witness: Yes. The resultant wouldn't be as good as this method, but it could be done.

Mr. Lyon: It is done, as a matter of fact, on some of the production at Southwest Products, is that right?

The Witness: That's right.

The Witness: What difference is there?

The Witness: Hitting it with a hammer gives you individual peen marks, individual areas of contact where you have actually hit it. In contrast to a rolling motion that is smooth and even the same degree all over (222).

The Court: When you put it through this rolling motion, the metal, all of the metal is stretched all over equally?

The Witness: Yes.

The Court: If you hit it with a hammer is all the metal stretched equally?

The Witness: No. Only in one spot.

The Court: Only the spot where the force of the hammer is applied?

The Witness: Yes.

The Court: Suppose you put that in a vice, a hammer-like vice, where you hit it all at once?

The Witness: It could be done.

The Court: But tapping it outside of the ball race would stretch the material only in the spots where the hammer hits?

The Witness: Yes.

The Court: Would that make an uneven ball race on the inside?

The Witness: Yes, sir.

The Court: It would?

The Witness: Yes.

The Court: All right.

Q. (By Mr. Miketta): In all instances, or only if you hit it too hard (223)? A. Only if you hit it too hard. You must control—the human element of a man with a hammer is very difficult to control. A machine is easy to control.

Q. If you had an air hammer where the air pressure could be regulated, and the length of stroke could be regulated, then you could have a sequence of closely adjacent blows along the periphery, or depending upon the contour of the hammer head, to give you the proper result, couldn't you? A. It could.



The Court: If they were close enough together?

The Witness: That's right. If they could be made to the infinite plane of a steady motion. Which could never be achieved, actually. But it could come close."

Stock, later at plaintiff's plant, demonstrated the manner in which the ball is uniformly freed by tapping [R. 824] using a total of 49 controlled hammer blows.

When hammering is accomplished crudely, the ball seat includes "rough places and places that are tight. In other words, it does not work smoothly all the way around" [R. 783].

Thus, the Potter method of liberation involves the application of a relatively light pressure to relieve the compression on the inner surface so as to obtain a very small and carefully controlled clearance. [R. 1008].

#### J. Claims in Potter Article Patent 2,626,841.

The Potter Patent 2,626,841 relates to a self-aligning bearing consisting solely of an inner bearing ball and a single piece *continuous* outer race member. Each of the claims of the '841 and '172 patents involves the concept of first forming a ring so tightly around a ball that the ball cannot be moved by hand [R. 1288]. The '841 patent matured from the Potter application Serial No. 606,678 [DX-A] filed on July 23, 1945 with both article claims 1, 2 and method claims 3 and 4. The first Patent Office Action dated December 4, 1946 required Potter to divide the article claims from the method claims and accordingly method claims 3 and 4 were cancelled (without prejudice) on May 15, 1947, and also article claim 5 was added. In the next Office Action, on June 22, 1948, the first one of the merits of the article claims, article claims

1, 2 and 5 were rejected on Chambers 2,382,733 [R. 1406]; and in response thereto Potter, on December 8, 1948, substituted article claim 6 for article claims 1, 2 and 5. Claim 6 was then rejected on formal grounds and also on Chambers 2,382,773, in view of Heim 2,476,728 [R. 1419], and in response to this rejection Potter rewrote claim 6 as claim 7 on March 6, 1950, and presented to the Examiner good reasons why claim 7 is patentable over "Chambers in view of Heim." These same good reasons are not contrary to any of the testimony adduced at the trial but, indeed, were bolstered and made the basis of specific findings by the Trial Court [Findings XX, LVIII, R. 161].

Claim 2 of the '841 patent (claim 8 of the application) was submitted on July 6, 1951 and it was allowed together with amended claim 7 (claim 1 of the '841 patent) on April 1, 1952; and the patent issued on January 27, 1953.

Beginning with the filing of the '841 application and continuing throughout its prosecution, claims were directed to the combination in which a ball is within a single-piece race member.

Thus, the article claims originally filed include claims 1 and 2 of the application which are as follows:

"1. A self aligning bearing, comprising, a bearing ball having a spherical bearing surface and an axially disposed work piece receiving bore, and a bearing race having a raceway therein corresponding with the spherical surface of said bearing ball to freely journal the bearing ball in said raceway, said bearing race being of single piece construction.

"2. A self aligning bearing, comprising, a steel bearing ball having a curved bearing surface, and a

single piece bearing race of maluable (sic) material having an inner raceway corresponding in curvature with the curved surface of said ball and in which said ball is rotatively retained.”

Comparing claims 1 and 2 of the application with claims 1 and 2 of the '841 patent [R. 1296, PX-1, Appendix], it is seen that they are all directed to the same combination, namely a bearing comprising a ball within a single-piece outer race member, the only essential difference being that patent claims 1 and 2 more clearly delineate the combination of the same two elements.

The specification in the '841 patent is as it was in the originally filed application; and likewise, the drawings filed in the originally filed application are identical with those in the '841 patent without any change in structure or relationship of the parts except for minor addition of hatching in response to the Examiner's requirement that “the parts in section must be hatched” [DX-A, p. 9].

It is thus clear that the patent claims 1 and 2 are more delineated than are the application claims 1 and 2 *supra*. The language so delineating the patent claims serves to characterize the stressed condition of the race member or ball seat [R. 520-523, 559].

The descriptions relating to stresses and stress tensions and compression and their location appearing in claims 1 and 2 of the patent were added by amendments in 1950 without objection by the Patent Office and they constitute descriptions which are inherent in the article produced by the method originally disclosed by Potter and serve in conjunction with the other language of claims 1 and 2 to describe an article which has not been made before and

is not suggested by any of the prior art to which reference was made [R. 1285].

In accordance with Finding LIX [R. 172], the claims of the '841 patent find a basis in the original disclosure to the Patent Office on July 23, 1945.

In accordance with Finding XIII [R. 159], the stress pattern in the race member defined in claims 1 and 2 of the '841 patent defines a physical condition of the race member and such stress pattern is instrumental in maintaining the ball frozen in the race member after the forming operation, such that substantially the entire available adjacent surfaces of the ball and its race member are in direct and intimate contact; and such stress pattern may be altered by the application of a relatively small force uniformly applied to the outer periphery of the race member to either uniformly liberate the ball from the race member or to achieve a uniform preload condition.

In accordance with Finding L [R. 169], the stress pattern in the race member claimed in claims 1 and 2 of the '841 patent and which results from the forming, swedging or coining operation disclosed in either the '841 or '172 patents, serves to characterize the condition of the race member and thus imparts a different physical property to the race member than, for example, the machined outer race member of the Messerschmidt bearing [PX-13]. Further, the formed race member having a unique uniform stress pattern throughout substantially all of its body, is responsible for a new coaction between the ball and the race member, *i.e.*, such stress pattern is responsible for the direct and intimate engagement between the ball and the formed race throughout substantially all of the entire available adjacent surfaces of the ball and the

race member in either the “frozen” condition or in a preloaded condition; and further such pattern is responsible for the obtainance of a controllable even and uniform clearance between the ball and its race member after the race member is subjected to rolling forces.

In accordance with Finding LII [R. 170], the stress pattern recited in claims 1 and 2 of the '841 patent imparts a physical characteristic to the formed race and is considered to be a “means” whereby the novel coaction recited in the next preceding paragraph results.

Finding LVII [R. 171] specifically states that the bearing claimed in Potter '841 is productive of a new and different function which involves the use of the stress pattern claimed therein to obtain the direct and intimate contact between substantially all of the entire available adjacent surfaces of the ball and formed race and particularly to obtain a preloaded bearing.

The '841 specification and drawings clearly describe the manner in which the race, originally in the form of a ring, is formed around the ball; and the stress pattern included in claims 1 and 2 is that pattern which is set up during the forming of the ring around the ball [R. 931, 1048].

The significance of the stress pattern included in the claims of the '841 patent is well illustrated in Barish's following analogy [R. 531]:

“If we were to put an elastic band tightly around the ball, it would be in tension. If we put a second band on top of that, the tension in the inner band would be reduced and the outer band would have more tension. And if we were to put on a number of bands, we would end up with the outer band in tension and the inner band in compression.

Now, the Potter operation is similar in a way to removing only the outer band. That would be relieving slightly the tension on the external skin, but it would produce a slight alleviation of the compression on the innermost band. That way with relatively small forces exerted (431) only on the outside we are able to produce extremely small even loosenesses between the sphere and the ring."

The evidence clearly establishes that the stress pattern is used to advantage in the liberating step [R. 521, 525, 532, 929, 930]; and there is not evidence to the contrary notwithstanding defendant's reference to Barish's testimony [R. 1122].

The term "unstretchable peripheral area" in claim 1 of the '841 patent has reference to the fact that the outer race member, while being stretchable by the application of a relatively small liberating force in the production of the bearing, is unstretchable in use, *i.e.*, under the very heavy loads and vibrational forces to which the article is subjected in use [R. 563]; and that the use of this expression finds adequate support in Potter's original disclosure in July 1945 [R. 522, 523, 565, 782, 363]. Contrary to defendant's contentions, Barish [R. 522] and Colwell [R. 782] and Hackman each have this same understanding of the term "unstretchable peripheral area."

Thus, the forming of the self-aligning bearings of the '841 patent according to the method of the '172 patent results in a condition in the race in which under the loads applied in subsequent use, the race will not be further stretched and this is defined in claim 1 of the '841 patent as forming an "unstretchable peripheral area" [Finding VIII, R. 157].

**K. Claims in Potter Method Patent 2,724,172.**

The claims of the Potter Patent 2,724,172 are reproduced in the Appendix. Claims 3 and 4 are typical claims. Claim 3 is reproduced below in extended form with comments in an adjacent column.

3. In the method of forming a self-aligning bearing having a bearing ball and a spherical bearing race formed from a race blank,

Object to be made is a commercially acceptable two-piece self-aligning bearing which is new and improved in comparison to other commercial self-aligning bearings such as Messerschmidt [PX-13], Heim [PX-12], Prentiss [PX-11] and which has the features defined in Findings VII, XIV, XVI, XVII, XXI, XXIV, XXV, XXVI, XXVII, XXVIII, XXIX, XLIII, XLVI, LVIII [R. 153].

the steps comprising:

While the invention in a method claim is defined by the steps performed, it is, of course, permissible to look at the end result, i.e. the bearing itself, in a determination of utility, novelty and unobviousness of the method. The fact that a different Division of the Patent Office found invention in the bearing itself, in the '841 patent, should in this case be some indication of invention in the method.

coining said race blank around said ball in intimate and direct contact with said ball to produce a binding action between said ball and race blank such that the outer periphery of the race blank is placed under a stretch tension and the inner periphery is compressed to conform evenly with the perimeter of the ball and to produce a longitudinally curved spherical perimeter,

This step is definitely new and incorporates novel teachings. This step clearly defines and is clearly limited to the condition that coining of the race blank is around *that* ball which remains as a part of the finishing bearing.

This is not so in Taylor since Taylor uses an auxiliary former die 9 which is later pushed out of the race to form a keyhole slot as in Messerschmidt [PX-13] for a ball which was not used in the forming operation.

This step is definitely not shown or suggested in either Chambers, Taylor or Fiegel for the simple reason that neither one contemplates a binding action.

In Heim, the race comprises a number of inserts between the ball and a holder and neither the inserts nor the holder is coined around the ball. In Hoern a ball is squeezed into the end of a hexagonal stud to form only one ball-retaining lip; and a longitudinal curved spherical perimeter is not produced since the stud remains hexagonal. Further, as in Heim, there is no favorable stress



pattern developed in Hoern which may be altered by the application of relatively small forces to produce a uniform clearance.

and then rolling the conformed race blank under sufficient pressure to relieve some of the compressive stresses in the inner periphery of said blank to elongate the bearing race evenly and permit smooth rotation between said ball and said bearing race but still confine said ball within said race.

This step is also definitely new and incorporates novel teachings. Rolling and hammering for these purposes are equivalent only when hammering is accomplished as described under heading I, *infra* to assimilate a rolling pressure. This step is limited to rolling the race. In Heim the race, *i.e.*, the inserts contacting the ball, are neither rolled nor do they have applied thereto hammer blows. Also, the force applied to the holder serves a different purpose, *i.e.*, it loosens the race inserts, does not stress-relieve them. Hoern prefers to use quenched heat to liberate a ball and his hexagonal stud, having six corners on its periphery, is not adaptable to the application of rolling forces or assimilated rolling forces.

The same comments are applicable to claim 4 of the '172 patent which is reproduced in a misleading manner on page 44 of defendant's Brief. Claim 4 is reproduced without

punctuation and one would get the impression that claim 4 calls for both a liberating step and a stress-relieving step, whereas in fact compressing the median portion of the bearing race serves to relieve some of the compression stress.

#### **L. Infringement.**

The process employed by defendant in its manufacture of two-piece bearings does not differ in any essential respects from the process taught to Straub by Spangenberg, a former partner of Potter [Finding XI, R. 158, 939]. The Trial Judge visited both plaintiff's and defendant's plants during regular business hours and found that the method practiced and the bearing produced by plaintiff and defendant in each of their commercial productions are in accordance with the two patents in suit [Findings XXX, XVIII, R. 165]. The Trial Judge also found that the bearings described in the Colwell report [DX-L] are not representative of defendant's production [Finding XXXVI, R. 166].

In both plaintiff's and defendant's production an attempt is made to obtain as large an intimate and direct contact as possible between the ball and its race member during the forming operation and to obtain as large a uniform contact area as possible between the ball and race member after liberation [Finding XXXVIII, R. 167].

In the manufacture of defendant's bearings, a cylindrical race is placed about a spherical ball having flattened ends and such race is pressed into continuous contact with the ball and the race is then liberated from the ball by applying force to the outer periphery of the race by rolling the bearing between rollers or by hammering uniformly

around the circumference of the race [Finding XLIV, R. 168]. This is so with respect to bearings listed in defendant's catalog [PX-7], for example the HSB bearings [R. 491, 941], HSBG, KSBG, KWB, KLS, KSBY bearings [R. 497]. Defendant's catalog [PX-7] lists defendant's bearings which are interchangeable with plaintiff's bearings and these have substantially the same properties [R. 517, 890, 927]. Rolling bearings to loosen them is defendant's standard practice [R. 841].

**M. Long Felt Want and Commercial Success.**

The Potter invention has resulted in a new segment of the bearing industry which produces spherical swaged self-aligning bearings [R. 939].

The only other two-piece bearing being used is the Messerschmidt-type bearing [PX-13], but these bearings, because of their slotted race member, have limited uses.

Hackman's testimony clearly establishes that prior art bearings in practical use, such as the Messerschmidt bearing [PX-13], Heim Bearing [PX-12] and Prentiss bearing [PX-11], had well known defects and limitations and thus there was a long felt want for an improved bearing.

At the time Potter invented his bearing, many persons in the bearing field immediately recognized the value of the invention and formed the Halfco partnership. Many of the designations used by various companies today in designating their bearings such as HSB have reference to the Halfco spherical bearing.

This long felt want is established also in part by the Ryan order of February 1945 [R. 269, PX-19]. Ryan, after seeing the Potter bearing, changed its order from 12 to 2,012 bearings. The Trial Judge observed [R. 1287] that

Potter found a way for making a bearing for which there is still a great demand in the industry as indicated by defendant's catalog [PX-7] and the list therein of interchangeable bearings made by different companies.

### III.

#### Summary of Argument.

The Findings of Fact of the Trial Court herein are not only supported by substantial evidence but, indeed, the record does not contain any evidence which would sustain any contrary findings.

Rule 52 of the Rules of Civil Procedure provides in part:

"Findings of fact shall not be set aside unless clearly erroneous and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses."

The Supreme Court in its recent decisions has emphasized that a court of Appellate Review must not disturb such findings unless the same are clearly erroneous.

*Graver Tank & Mfg. Co., Inc. v. Linde Air Products Co.*, 336 U. S. 271, 93 L. Ed. 672;

*Graver Tank & Mfg. Co., Inc. v. Linde Air Products Co.*, 339 U. S. 605, 94 L. Ed. 1097;

*Goodyear Tire & Rubber Co., Inc. v. Ray-O-Vac Company*, 321 U. S. 275, 88 L. Ed. 721.

This Court has in its recent decisions followed the rule that the Findings of the trial court where supported by substantial evidence should not be disturbed.

"The Court, by its above mentioned findings, determined two questions—the question of novelty and the question of invention. Both were questions of

fact. *Ralph N. Brodie Co. v. Hydraulic Press Mfg. Co.*, 9 Cir., 151 F. 2d 91; *Maulsby v. Conzevoy*, 9 Cir., 161 F. 2d 165. The findings are supported by substantial evidence, are not clearly erroneous and should not be disturbed."

*Refrigeration Engineering, Inc. v. York Corporation*, 168 F. 2d 896, 899, C. C. A. 9.

See also:

*Faulkner v. Gibbs*, 170 F. 2d 34, 37, C. C. A. 9;

*Stauffer v. Slenderella*, 254 F. 2d 127, C. C. A. 9.

The principal issues raised by defendant in its Brief involve the matter of invention. Defendant contends that the patents in suit do not disclose a patentable article or a patentable method for the alleged reason that it produces no new, surprising or unexpected results. In making this contention, defendant relies primarily on the decision of the Supreme Court in *Great A & P Tea Co. v. Supermarket Equipment Corporation*, 340 U. S. 147, 95 L. Ed. 162, and *Bergman et al. v. Aluminum Lock Shingle Corp. of America*, 251 F. 2d 801, C. C. A. 9. In these cases the sole novelty asserted in the combination of the elements of the patent resided merely in a change in dimension or the number of parts resulting in no new or different function or no new result or unusual or surprising consequences.

In the instant case the Trial Court has specifically found the new and surprising result called for by this test in its expressed detailed findings. These findings are fully supported in the record and on this issue, there-

fore, the case is governed by the rule set forth in such decisions as

*Williams Mfg. Co. v. United Shoe Machinery Corp.*, 316 U. S. 362, 86 L. Ed. 1537;

*Bianchi, et al. v. Barili*, 168 F. 2d 793, C. C. A. 9;

*Page, et al. v. Myers*, 155 F. 2d 57, C. C. A. 9.

These decisions set forth that where the trial court has found the patent in suit to produce results of unusual and surprising circumstances which are supported by substantial evidence and not clearly erroneous, the findings that the patent in suit represents a new patentable combination should not be disturbed.

The trial court found that the Potter bearing and the method of making the same involves a different mode of operation and new and unexpected advantages over the prior art and concluded as a fact that the Potter bearing and method represented an invention.

On this issue the case is clearly governed by such decisions as *Goodyear Tire & Rubber Company, Inc., et al. v. Ray-O-Vac Company*, 321 U. S. 275, 88 L. Ed. 721, and *Oliver-Sherwood Co., et al. v. Patterson-Ballagh Corporation*, 95 F. 2d 70, C. C. A. 9; *Pointer v. Six Wheel Corporation*, C. C. A. 9, 177 F. 2d 153, which set forth the rule that where the patent in suit is shown to involve a new construction, new mode of operation and new and unexpected result, a patentable invention may be present and Findings of Fact on such issue by the lower court not clearly erroneous should not be disturbed.

Defendant contends that there is no infringement. The record, however, demonstrates that bearings made by defendant are an unscrupulous copy of the Potter bearing

and are made in accordance with Potter's method. The Supreme Court in its recent decision in *Graver Tank & Manufacturing Company, Inc. v. Linde Air Products Company*, 339 U. S. 605, 94 L. Ed. 1097, has expressly and most emphatically emphasized the rule that such an unscrupulous copyist should not be permitted to escape the charge of infringement.

There is no merit to any of the contentions set forth in defendant's Brief. When analyzed, they will all be found to be predicated on erroneous contentions of fact opposed not only to the Findings of Fact of the lower court but the overwhelming evidence in the record.

#### IV.

#### Argument.

##### A. The Potter Bearing Incorporates a Novel Element Functioning in a Novel Manner to Achieve a New and Improved Bearing.

Although simplified to only the bare essentials of a ball and its seat (race ring), the Potter self-aligning bearing incorporates a novel element, *i.e.*, ball seat, functioning in a novel manner with the ball to achieve a new and improved result. While simplification in and of itself does not constitute invention, it is a factor to consider in determining an invention. *Stauffer v. Slenderella Systems of California*, 254 F. 2d 127. Under this heading we are concerned with the "means" responsible for such simplification.

At the outset there should be no doubt that the Potter invention resulted in a new simplified and improved self-aligning bearing having new and improved features [Findings IV, XIV, XVI, XVII, XIX, XX, XXI, XXIV,

XXV, XXVI, XXVII, XXVIII, L, LII, LVII, LVIII, R. 155].

The new element in the Potter bearing is the continuous race ring which forms the ball seat and which is uniformly stressed. The stress pattern in the ball seat (race member) claimed in the '841 patent and which results from forming, swedging or coining a ring around a ball as disclosed in either the '841 or '172 patents, serves to characterize the condition of the ball seat and thus imparts a different physical property to the race member than, for example, the machined outer race member of the Messerschmidt bearing [P-13, Finding L, R. 169]; and additionally the Potter Ball seat is *continuous*, *ie.*, devoid of any slots which, as in the Messerschmidt bearing [PX-13] and Taylor Patent 2,382,349 [R. 1402], are required to be formed to allow the bearing ball to be inserted. Potter teaches that his ball seat (race ring) should be (1) *continuous*; (2) formed to establish a uniform stress pattern; (3) that such stress pattern after forming should not be disturbed by cutting slots in the side of the ring as is necessary on the Messerschmidt bearing [PX-13] or Taylor 2,382,349 [R. 1402]; but that (4) such stress pattern should be produced uniformly and maintained uniformly and advantage taken of such uniform stress pattern to control the clearance between it and the bearing ball which, also contrary to Taylor 2,382,349, is used as a die member itself [Finding XV, R. 159]. Thus, the novel element which Potter has contributed to the bearing art is a *continuous* race ring having a substantially uniform stress pattern therein which results from the forming operation disclosed in the '841 patent. This stress pattern in accordance with other teachings of Potter allows the race ring to be



used as the ball seat itself without the necessity of slotting the race ring and hence destroying such stress pattern. In other words, Potter establishes and continues to maintain a stress pattern which he uses for advantageous purposes [Finding VII, R. 157]. The stress pattern which is produced and maintained is responsible for a different coaction between the ball and its race ring [Findings XIII, XVII, XX, XXVII, XXXV, L, LI, LII, LVII]. These findings are supported by Barish's uncontroverted testimony.

The evidence clearly shows that when rolling pressure is applied to the race, the race spreads in all of those directions set forth in the '841 patent.

Finding II is reconcilable with the other detailed Findings when one makes an earnest attempt to do so. The keyword in Finding II is the word "controllable." This clearance is controlled during the liberation or loosening step. The words "very small . . . clearance" in Finding II are comparable to the "'zero' clearance" specified in the other Findings such as Finding XX.

"Doubt as to patentability of patented article, filling new want, entering into immediate use, meeting with pronounced commercial success, and imitated by another, should be resolved in favor of validity of patent."

*Black & Decker Mfg. Co. et al. v. Baltimore Truck Tire Service Corporation*, C. C. A. 4, 40 F. 2d 910.

In determining whether invention exists in a given device, courts should guard against over-simplification

through a hindsight view of the problem as originally encountered.

*Bernard Joseph Mumm v. Jacob E. Decker & Sons*,  
301 U. S. 168, 171.

The failure of mechanics to improve a device in common use for a long time is good evidence of invention.

*Potts v. Crager*, 155 U. S. 597.

An excessive number of prior art references is in itself persuasive of futility of prior attempts to solve the problem.

*Ric-Wil Co. v. E. B. Kaiser Co.*, 179 F. 2d 401,  
C. C. A. 7.

Defendant's imitation of the patent structure is another indication of invention.

*Ric-Wil Co. v. E. B. Kaiser Co.*, 179 F. 2d 404,  
C. C. A. 7.

Judge Learned Hand noted in *Grand Rapids Showcase Co. v. Straus et al.*, 229 Fed. 200:

" . . . it is obviously preposterous to suppose that the invention has actually been patented anything like the number of patents here pleaded."

**B. The Potter Method Incorporates Novel Steps and a Novel Combination of Steps for Achieving a New and Improved Bearing.**

While the number of steps involved in the Potter method are few, nevertheless novelty is present in these steps individually and in combination; and the same involve novel teachings.

One of the important novel steps and concepts involves coining, forming or compressing the race ring itself about

the bearing ball itself *to bind the bearing ball in the race*. In this respect, contrary to defendant's indications on page 44 of its Brief, the Taylor race ring is *not formed about that ball which is ultimately a part of the bearing* but an auxiliary forming die 9 in the Taylor patent is used, such forming die being later rotated in the ring 5 and later driven through the side wall of the race ring to form a keyhole-type slot as in the Messerschmidt bearing [PX-13] and to incidentally destroy the stress pattern and, indeed, to produce "a miserable looking mess" [R. 636]. Also, contrary to defendant's indications, Taylor's race ring is not compressed so as to be bound to the auxiliary forming die since otherwise this die could not be rotated. Also, contrary to defendant's indications, the Chambers and Fiegel race members are not so formed about a ball so as to produce a binding engagement around the curved surface of the ball. Also, contrary to defendant's indication, Heim does not compress the bearing race since in Heim those members which contract the ball are inserts and these are loosened by applying blows to an external holder.

A second important and novel step involves loosening of the bearing ball once it has been bound in its race member by the application of either a rolling force or successive forces assimilating rolling forces to the curved perimeter of the race member. Taylor is not concerned with loosening since his forming die 9 is sufficiently loose to permit it to be rotated to the position shown in Figure 5 therein. Chambers and Fiegel do not show, suggest or teach binding of the ball. In Heim any binding of the ball is of an accidental nature which occurs when the race member, comprising a plurality of inserts are jammed between the ball and outer holder. The Heim holder is not

a race member, *i.e.*, a bearing seat for the ball, and loosening forces are not applied directly to the inserts, *i.e.*, race, but to the holder.

**C. Unobviousness of Potter's Invention Under 35 USC 103.**

The condition for patentability as expressed under Section 103 is that the subject matter as a whole would not have been obvious at the time the invention was made to a person having ordinary skill in the art to which such subject matter pertains. One good reason for patentability under Section 103 is that Straub, present Manager of the Kahr Bearing Division of defendant, had experiences which qualify him as a person really having more than ordinary skill in the art yet he was required, prior to issuance of the Potter patents, to be taught the invention by one of Potter's former partners, Spangenberg [Finding X, R. 158]. Straub had been a tool maker for 40 years [R. 957] and had worked with forming dies [R. 956] and had occasion very often to loosen an outer metallic member that held an inner member [R. 957]. How can defendant now say that the Potter inventions are not patentable on the basis of Section 103 when its motivating power, Straub, prior to issuance of the '841 patent and after 40 years of experience as a tool maker, die maker, punch maker, experimental engineer and job shop operator, was required to be taught how to make the Potter bearings by Potter's former partner and die maker [Findings X, XI, XII, R. 158]?

The Taylor Patent 2,382,349 [R. 1402] serves as an excellent example of the elusiveness and unobviousness of the Potter invention. Taylor actually coins a race ring around a ball-shaped forming element (not the finished

bearing ball) and by doing so achieves a stress pattern in his race ring of the kind developed by Potter. However, it did not occur to Taylor that a bearing could be produced by actually binding the ball and then using such stress pattern to advantage but on the contrary, Taylor destroys such stress pattern by pressing the forming ball out of the race member to produce keyhole slots in the race member. At best, Taylor's finished bearing is a Messerschmidt bearing with its attendant disadvantages.

**D. The '172 Patent Is Entitled to the Filing Date of the '841 Patent.**

The fact that bearings were made under this '841 patent prior to October 8, 1951 does not invalidate the '172 patent. The '172 patent was applied for as a division of the '841 patent and was so issued. This is so stated in the '172 patent [R. 1300] as follows: "Original application July 23, 1945, Serial No. 606,678, now Patent 2,626,841 dated January 23, 1953. Divided and this application December 16, 1952, Serial No. 326,294."

At the time Potter made oath to his application Serial No. 326,294 which matured as the '172 patent, such application to which he subscribed an oath contained a specific reference to his original and still pending application Serial No. 606,678 [DX-B] which later matured as the '841 patent. That was all that was necessary in order for the '172 application to have the benefit of the filing date of the '841 application. This is so in accordance with the specific title and provisions of 35 U. S. C. 120 reproduced in the Appendix.

Applying the specific provisions of Section 120 to the '841 and '172 applications, the specifications in the '841 and '172 applications each clearly contain a written description

of the same method which is the subject of each of the claims of the '172 patent. All of such claims in the '172 patent are readable on the disclosure in the '841 patent [Finding LIV, R. 171]. The '172 application was filed on December 16, 1952 prior to issuance of the '841 patent; and the '172 application continuously made a specific reference to the earlier filed '841 application. The above showing in and of itself is sufficient to show Potter's compliance with Section 120. *Crown Cork and Seal Company v. Ferdinand Guttman Company*, 304 U. S. 159; *Wire Tie Machinery Co. v. Pacific Box Corporation*, 102 F. 2d 543, C. A. 9). Plaintiff need go no further in establishing that the '172 patent is entitled to the filing date of the '841 patent.

There are, however, other facts which clearly negate any inference that Potter contemplated abandoning claims to the method; and for this latter purpose, reference is made to Potter applications Serial No. 767,496 [DX-C] and Serial No. 135,174 [PX-2A], both of which are included as additional material in Chart I. Potter application Serial No. 135,174 was filed during the pendency of his application Serial No. 767,496 [DX-C] and contain method claims. These method claims were pending before the Patent Office in the time interval between October 1, 1951 and December 16, 1952. Later, during the prosecution of the '975 application Serial No. 135,174 [PX-2A], method claims were transferred into the '172 application.

At the time the method claims were cancelled from the '841 application as a result of the patent Office requirement for division, it should be clear that there was no intention to abandon the method claims in view of the

fact that the Potter application Serial No. 767,496 [DX-C] was filed within the six months' period allowed for amendment of the '841 application.

A clear distinction should be made between abandonment of an application and abandonment of an invention. Abandonment of an application in favor of another co-pending application negates any intention of abandoning the method claims of the invention. Application Serial No. 767,496 [DX-C] was abandoned in favor of Application Serial No. 135,174 which at that time contained method claims like those of application Serial No. 767,496.

Thus, any prior use that would invalidate the '841 or '172 patents would have had to be accomplished before July 23, 1944; and there is absolutely no showing of any such prior public use before July 23, 1944.

It was not necessary and no duty whatsoever, moral or otherwise, was imposed on Potter to inform the Patent Office of any public use in 1951 when the '172 patent was filed, since the '172 patent is entitled to the July 23, 1945 filing date. There can be no concealment when there is no duty, moral or otherwise, to disclose facts that are really not pertinent. The first disclosure of the method was made and claimed in the Patent Office on July 23, 1945, and the Patent Office is not concerned at all as to when public use is made of an invention subsequent to its filing date. Indeed, any oath in a divisional application is unnecessary and surplusage. This should be clear from the express provisions of Section 121 stating "If a divisional application is directed solely to subject matter described and claimed in the original application as filed, the Commissioner may dispense with signing and execution by the

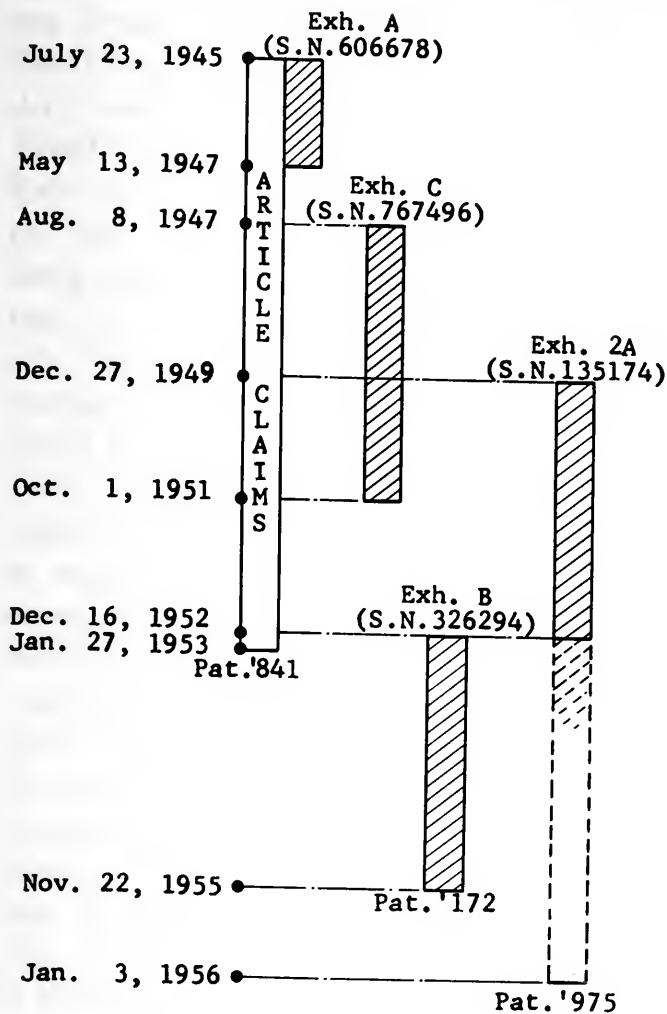
inventor.” Section 121 in its entirety is set forth in the Appendix.

The fact that an appeal is dismissed in the Patent Office does not establish abandonment of the invention, particularly as in this instance where Potter elected to prosecute like method claims in his copending application Serial No. 135,174 [PX-2A]. Abandonment of an application is certainly not conclusive as to whether the invention being claimed therein is abandoned also. Section 120 allows proceedings to be abandoned without abandonment of the invention.

Abandonment involves a question of intention; and it was Potter's intention not to abandon the invention [Finding LV, R. 171] and such intention was actually carried out by him in maintaining like method claims in Serial No. 135,174 and also further by filing application Serial No. 326,294 which matured as the '172 patent. No delay was encountered in inserting or prosecuting method claims since such method claims were already being inserted in application Serial No. 135,174 [PX-2A] and also the original application Serial No. 606,678 [DX-A] in method claims were initially introduced was still pending.

There has never been an intention to abandon the method claims of the invention. Contrary to defendant's contention, method claims were continuously presented to the Patent Office by Potter from the filing of the original application on July 23, 1945 to the issuance of the '172 patent with the exception of a short fully excused time interval extending from May 13, 1947 to August 8, 1947. Chart 1 clearly shows this to be so.





Article Claims ☐

Method Claims ☒

CHART 1

Exp. A  
1870-1871

July 23, 1872

May 13, 1872

Aug. 8, 1872

Dec. 23, 1872

Oct. 1, 1872

Dec. 16, 1872

Jan. 27, 1873

Nov. 25, 1872

Jan. 3, 1873

Feb. 10, 1873

Mar. 10, 1873

Apr. 10, 1873

May 10, 1873

June 10, 1873

July 10, 1873

Aug. 10, 1873

Sept. 10, 1873

Oct. 10, 1873

Nov. 10, 1873

Dec. 10, 1873

Jan. 10, 1874

Feb. 10, 1874

Chart 1 illustrates the times during which the various Potter applications, Serial No. 606,678, Exh. A; Serial No. 767,496, Exh. C; Serial No. 135,174, Exh. 2A; Serial No. 326,294, Exh. B, were pending in the Patent Office. With reference to Serial No. 606,678, Exh. A, it was filed on July 23, 1945 and matured as the '841 patent on January 27, 1953. During its pendency both article and method claims were presented and this is indicated by the clear rectangle designated "Article Claims" and the adjacent hatched rectangle. This hatched rectangle indicates that method claims were presented in Exh. A during the time interval January 23, 1945 to May 13, 1947. Such method claims were cancelled from Exh. A without prejudice on May 13, 1947, in response to the Patent Office requirement for division; and a divisional application Serial No. 767,496, Exh. C, containing such method claims was filed on August 8, 1947. During the pendency of application, Exh. C, Potter filed an additional application Serial No. 135,174, Exh. 2A, on December 27, 1949 containing method claims and this application subsequently matured as the '975 patent on January 3, 1956. At the time Exh. C was still pending, the Patent Office had before it claims being presented by Potter to the method in Exh. 2A. Such method claims 2, 3, 4, 5 appear not only in Exh. 2A but also in the Pre-Trial Order [R. 116-117]. These claims 3, 4 and 5 were amended on July 23, 1952 to appear not only as shown in Exh. 2A but also as shown in Pre-Trial Order [R. 118, 119]; and as so amended are directed to the method of making the bearing which is being claimed in Exh. A. These claims 3, 4 and 5 were pending in the Patent Office between

December 27, 1949 to a later date which is subsequent to December 16, 1952, the filing date of the '172 application, Exh. B.

Potter, on filing Exh. B, had two pending applications, Exh. B and Exh. 2A, directed to the method of making the bearing being claimed in Exh. A; and Potter later made Exh. B the sole application for the method of making the bearing of Exh. A while restricting Exh. 2A in a manner which is of no interest here.

With respect to defendant's contention that the claims of the '172 patent find no basis in the '841 application, defendant's witness Colwell [R. 1448] stated "This citation again emphasizes the importance of 'coining' as was done earlier in the inventor's Patents 2,626,841 and 2,724,172." Barish's testimony clearly shows that the '172 claims find a basis in the '841 disclosure and such testimony was not controverted at the trial.

#### **E. The Question of New Matter.**

The language of the claims in both the '841 and '172 patents finds clear basis in the '841 application. Barish's testimony establishing this point stand uncontroverted and is also in accordance with the determinations made independently by two different Divisions, namely Divisions 14 and 45, in the Patent Office.

"the Patent Office has a strict rule on this subject. It fully recognizes that new matter must not be permitted, and it is constantly engaged in defining what is and what is not new matter. The

application of the rule must, of necessity, be more or less arbitrary, and the presumption of correctness which attends Patent Office rulings must apply with especial force to this class of ruling; . . .”

*General Electric Co. v. Cooper Hewitt Electric Co.*, C. C. A. 6, 249 Fed. 61.

“The fact that the Patent Office granted the patent in suit necessarily means that it did not consider the amendments to the application as ‘new matter’ within the meaning of its rules or of the Act. Since the Patent Office is constantly determining and defining what is or what is not new matter, its ruling on such questions is entitled to special weight.”

*Helms Products, Inc. v. Lake Shore Mfg. Co., Inc.*, 227 F. 2d 677, C. C. A. 7.

“. . . the patentee is entitled to have the claims of his patent construed with reference to the drawings and specifications.”

*Wire Tie Machinery Co. v. Pacific Box Corporation*, C. A. 9th, 107 F. 2d 54.

“As the Court of Appeals for this Circuit indicated in *Engineering Development Laboratories v. Radio Corp. of America*, 153 F. 2d 523 (68 USPQ 238) (C. C. A. 2, 1946), claims may be amended without affecting their validity if the alterations can be supported by a reasonable interpretation of the original disclosures.”

*Helene Curtis Industries, Inc. v. Sales Affiliates, Inc.*, 121 Fed. Supp. 490.

“ . . . we see no objection to the entry of an amendment stating their utility which is an inherent property possessed by such compounds.”

*Ex parte Harman*, Patent Office Board of Appeals, 86 USPQ 487.

“However, this inherent quality of rubber can be stated at any time without the charge of ‘new matter’.”

*Ex parte Bletcher et al*, Patent Office Board of Appeals, 52 USPQ 262.

An applicant for patent need not submit a new oath each time a claim is amended.

This Court in *Wire Tie Machinery Co. v. Pacific Box Corporation*, C. A. 9th, 102 F. 2d 543, quoted the following language from *Westinghouse Electric & Mfg. Co. v. Metropolitan Electric Mfg. Co.*, C. A. 2, 290 Fed. 661, 664,

“Changes of language, not changing the substantial meaning as it stood before amendment, and even changes of meaning, narrowing the scope of the invention described, do not infringe the statute.

\* \* \* \* \*

“Result is that a claim fairly derivable from a sworn disclosure is good, whether originally presented or introduced by amendment; and such claim needs no supplemental oath.”

An application which is a divisional application requires no oath. 35 U. S. C. 121 (Appendix).

**F. Muncie Gear Case.**

*Muncie Gear Co. v. Outboard Co.*, 315 U. S. 759, involved delayed claiming of new matter. In the present case there was no delayed claiming and also there is no new matter.

Potter in his '841 application, continuously from its filing presented claims to the same combination, namely a ball and a race member, and the issued claims are to this combination. The language added to the claims served solely to more clearly delineate the combination of a ball and its race member. Neither the specification nor the drawings in the '841 application was amended (only hatching being added to the drawings to satisfy a requirement of the Patent Office); and the uncontroverted evidence is that such language more clearly delineating the combination finds a clear basis in the original disclosure made to the Patent Office on July 23, 1945.

Potter in the '172 application continued to prosecute claims to the same method which was disclosed and claimed in claims 3 and 4 of the original '841 application [DX-A].

It is permissible to make changes in the specification and scope of the claims as long as there is a basis in the original disclosure.

*Harries et al. v. Air King Products Co., Inc.*,  
C. C. A. 2, 183 F. 2d 158.

*The Cold Metal Process Company, et al. v. Republic Steel Corporation*, C. C. A. 6, 233 F. 2d 828, involved a divisional application of 1928 based on a parent application filed in 1923. The court found the combination disclosed by the 1923 application to consist essentially of the

same elements claimed in the later application and held the later application valid.

See also:

*Coats Loaders and Stackers, Inc. v. Henderson et al.*;

*Teegarden et al. v. Big Four Industries Inc.*,  
C. C. A. 6, 233 F. 2d 915.

*Mastercrafters Clock and Radio Co. v. United Metal Goods Mfg. Co. Inc. and United Clock Corp.*, U. S. D. C. E. D. New York, 138 Fed. Sup. 388.

- G. The Claims of the '841 and '172 Patents Are Supported by the Specification and Drawings as Filed on July 23, 1945 and the '841 Patent Covers an Article of Manufacture, Not a Law of Nature or Stresses.**

The sufficiency of the specification and drawings in the originally filed '841 application is to be tested by Section 112 of Title 35 which provides in part that the specification shall contain a written description of the invention so as to enable a person skilled in the art to which it pertains, to make and use the same. Section 112 further provides that the specification shall conclude with one or more claims, particularly pointing out and distinctly claiming the subject matter of the invention.

The courts clearly recognize that the disclosure is directed to one skilled in the art and its sufficiency is determined from that viewpoint. Thus, the court in *S. D. Warren Co. v. Nashua Gummed and Coated Paper Co.*, C. C. A. 1, 205 F. 2d 602, stated:

"He (the patentee) described the essence of his invention in detail and particularity in his specification . . . reading the claims in the light of the specifi-



cation, we think one skilled in the art could readily comprehend the precise nature of Perry's invention and the limits of its scope. This is all the law requires."

Defendant refers to such words as stressed, compressed, tensioned and stress relieved. These words have a clear and definite meaning to those skilled in the art and are clearly supported in the specification in a manner understandable to those skilled in the art. The witnesses had no difficulty in understanding these and like terms in relation to Potter's original disclosure.

The stress pattern defined in claims 1 and 2 of the '841 patent cannot, of course, exist in a vacuum but require the claimed race member to sustain it. By the same token, the invention of the article defined by these claims cannot be considered to be *solely* such stress pattern but the invention is in the combination of elements set forth therein including as a novel element thereof a ball race having the defined stress pattern. Thus, the language cited by defendant in *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U. S. 211, is not applicable for the reason that plaintiff is not attempting to reconstruct claims to either include unexpressed limitations or to exclude expressed limitations.

The descriptions relating to stresses and stress tensions and compressions and their location in the ball race constitute descriptions of the ball race itself after the same has been formed around the ball and serve in conjunction with the other language of claims 1 and 2 to define a new article. An article so defined exists after the forming operation with the ball non-rotatably held by the ball race.

The Trial Judge so indicated [R. 1288, 1289]; so did Barish [R. 932]; and Potter, during prosecution of the '841 application [DX-A, p. 4], also so indicated. The evidence also shows that this stress pattern so defined in the claims of the '841 patent is not destroyed by the liberation process after which the ball has either slight preloading or is more free to move; and this is also in conformity with Barish's analogy to rubber bands.

#### H. Infringement.

The evidence clearly established that defendant places an annular ring around a ball, and press-forms, coins or swedges the ring around the ball to produce such direct and intimate contact between the two to bind the ball in the race. Straub testified that tests using blued grease show that the degree of binding contact between the ball and race is approximately 60 to 65 per cent and may be as high as 80 per cent [R. 1150, 1058, 1119]. However, the degree of intimacy as established in tests depends upon the particular test employed [R. 1061]. The major portion of the ring in both plaintiff's and defendant's manufacture has such direct and intimate contact that causes binding [R. 1062]. Please bear in mind also that in the manufacture of these bearings the ring in its original form has its ends chamfered and these chamfered ends, when subsequently formed around the ball, define a small space into which feeler gauges may be inserted [R. 482], making it difficult to ascertain whether or not there is actually any clearance between the ball and unchamfered portion of the race [R. 818]. The evidence also clearly establishes that a bearing assembly so formed includes a race member having an advantageous stress pat-

tern which is used during the subsequent liberation process by both plaintiff and defendant to produce a uniform and controlled clearance.

### **I. Costs on Appeal.**

Defendant complains that plaintiff has burdened the record with unnecessary material. Much of the material designated by plaintiff is in support of (1) completion of the invention by Potter prior to the filing dates of the Spangenberg and Paulus et al. patents; (2) long felt want and acceptance by the public; and (3) commercial success. Also, since defendant has stated in its "Points on Appeal" [R. 178] that the Trial Judge "did not understand the subject matter of the patents in suit" and has indicated that defendant did not receive a fair trial, plaintiff deemed it best to order printing of the entire Transcript of Record.

In support of its position that defendant did not receive a fair trial, defendant indicates that the Trial Judge favored testimony from Barish over that offered by Colwell.

Barish candidly admitted that he was not an expert in photo-elasticity but he qualified excellently as an expert on bearings. Barish was asked on cross-examination to explain a "fourth order fringe" with respect to Exhibit 55, yet there is no testimony in the record that Exhibit 55 contains a fourth order fringe. Certainly Barish did not testify that Exhibit 55 contained a fourth order fringe. One using tools as a part of his profession is not necessarily an expert in the production of such tools. Thus, for example, an expert radiologist is not necessarily an expert in the understanding of the mechanisms involved in making X-ray photographs.

V.

**Conclusions.**

It is respectfully submitted that Potter patents in suit, Nos. 2,626,841 and 2,724,172 are as found by the District Court valid and infringed; that the findings of the District Court are completely substantiated by the evidence and, in fact, the evidence would support no contrary findings; that none of the prior patents cited by the defendant and no combination thereof anticipates any of the claims in suit; and that the technical defenses attempted to be raised by the defendant-appellant are based on misconceptions of the evidence and of the applicable rules of law.

The Judgment of the District Court was in all respects correct and should be affirmed.

Respectfully submitted,

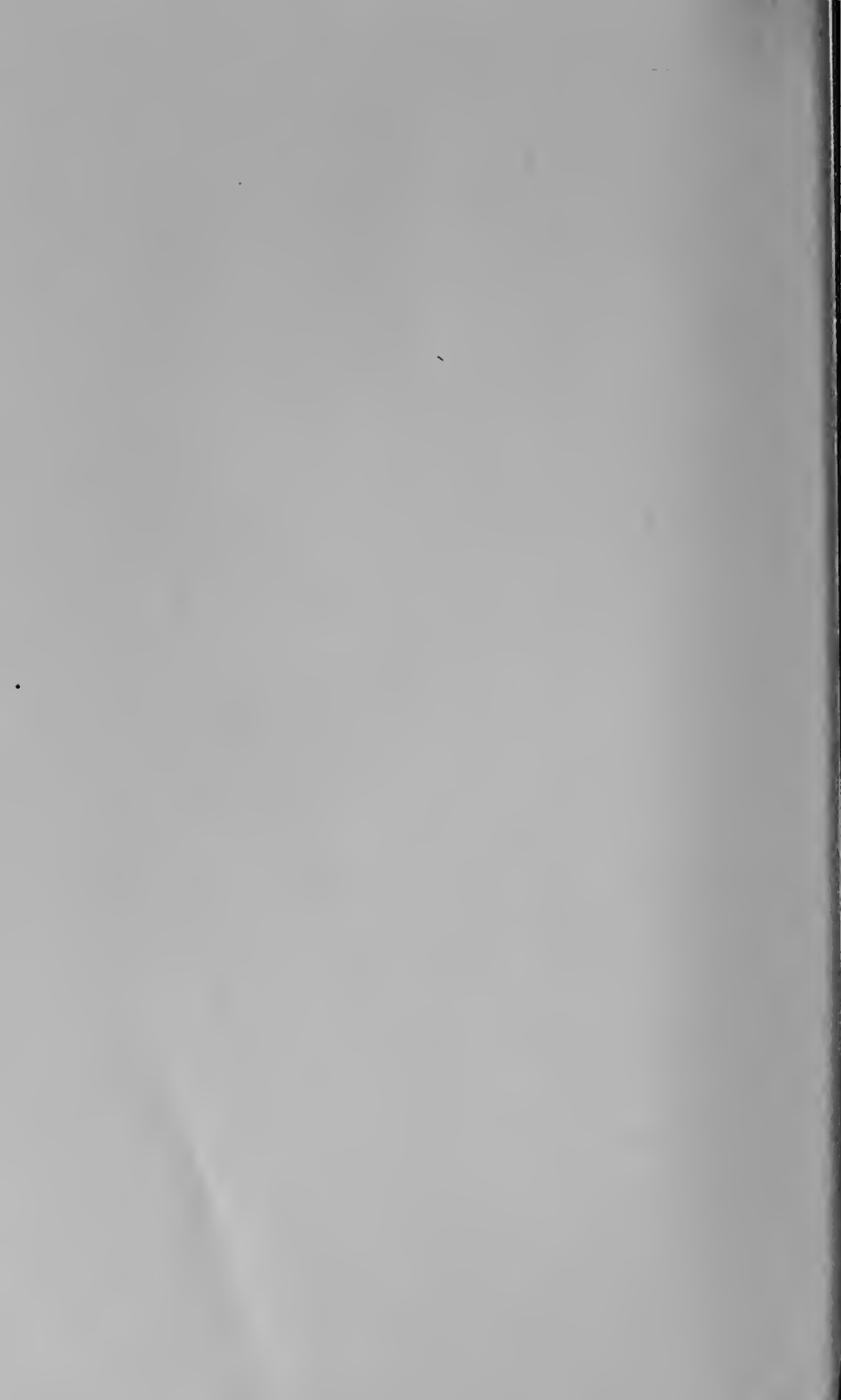
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FRANK E. MAURITZ,

*Attorneys for Plaintiff-Appellee.*





## APPENDIX.

### Pertinent Sections of 103, 112, 120 and 121 of Title 35, U. S. C.

#### §103. CONDITIONS FOR PATENTABILITY; NON-OBVIOUS SUBJECT MATTER

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

#### §112. SPECIFICATION

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claims shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

§120. BENEFIT OF EARLIER FILING DATE IN THE UNITED STATES

An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States by the same inventor shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application.

§121. DIVISIONAL APPLICATIONS

If two or more independent and distinct inventions are claimed in one application, the Commissioner may require the application to be restricted to one of the inventions. If the other invention is made the subject of a divisional application which complies with the requirements of section 120 of this title it shall be entitled to the benefit of the filing date of the original application. A patent issuing on an application with respect to which a requirement for restriction under this section has been made, or on an application filed as a result of such a requirement, shall not be used as a reference either in the Patent Office or in the courts against a divisional application or against the original application or any patent issued on either of them, if the divisional application is filed before the issuance of the patent on the other application. If a divisional application is directed solely to subject matter described and claimed in the original application as filed, the Commissioner may dispense with signing and execution by the inventor. The validity of a patent shall not be questioned for failure of the Commissioner to require the application to be restricted to one invention.



**Copy of Claims 1 and 2 of Potter 2,626,841.**

1. A self-aligning bearing construction involving inner and outer bearing members, said inner bearing member comprising a bearing ball having a spherical bearing surface and an axially disposed bore for receiving a shaft, a non-ferrous malleable metal single piece outer bearing race member having a spherical socket corresponding in shape to the spherical inner bearing member and having parallel radial end walls, said outer race member being stressed such that the metal adjacent the inner peripheral surface area is compressed and the metal adjacent the outer peripheral surface is under a stress tension to form an unstretchable peripheral area which, when subjected to a rolling pressure, will cause the metal adjacent the inner peripheral surface to expand the ends of said outer bearing member in a direction away from the axis of the self-aligning bearing.

2. A self aligning bearing construction involving inner and outer bearing members, said inner bearing member comprising a bearing ball having a spherical bearing surface, a malleable single piece outer bearing race member having a spherical socket corresponding in shape to the spherical inner bearing member, said outer race member being stressed such that the metal adjacent the inner peripheral surface area is compressed and the metal adjacent the outer peripheral surface is tensioned.

**Copy of Claims 1-7 of Potter 2,724,172.**

1. The method of forming a self-aligning bearing having a bearing ball and relatively soft, ductile metal bearing race, said ball and race being formed with corresponding curved surfaces therebetween, comprising: assembling said ball in an annular blank having an inner cylindrical surface substantially corresponding in diameter with that of the bearing ball and having opposite end portions, compressing said end portions inwardly in intimate and direct contact with said ball to deform the cylindrical blank and place the same under a stress with the outer periphery stretched and the inner periphery under compression such that said blank will conform and produce a binding engagement around the curved surface of said ball, and finally compressing the median portion of the bearing race by pressure applied through rolling contact relieving some of the compression stress in the metal adjacent the inner periphery of said blank and elongating the bearing race evenly towards its opposite ends and separating evenly the bearing surfaces between the bearing ball and bearing race by an amount sufficient to permit smooth rotation therebetween but still confine said ball within said race.

2. The method of forming a self-aligning bearing having a bearing ball of hard material and a spherical bearing race of relatively soft, ductile material in which said ball is retailed and journaled, comprising: assembling said ball in an annular bearing race blank having an inner cylindrical surface substantially corresponding in diameter with the diameter of the ball and having oppositely disposed radially converging ends, compressing said converging ends inwardly in intimate and direct contact with said ball to deform the cylindrical blank and place the same under a stress such that the outer periphery will be placed under a stretch tension and the inner periphery will be compressed to conform evenly with the perimeter of said ball and produce a longitudinal curved perimeter, and finally

rolling the median portion between the ends of the bearing race inwardly under sufficient pressure relieving some of the compressive stress in the inner periphery of said blank and elongating the bearing race evenly to permit smooth rotation between said ball and bearing race but still confine said ball within said race.

3. In the method of forming a self-aligning bearing having a bearing ball and a spherical bearing race formed from a race blank, the steps comprising: coining said race blank around said ball in intimate and direct contact with said ball to produce a binding action between said ball and race blank such that the outer periphery of the race blank is placed under a stretch tension and the inner periphery is compressed to conform evenly with the perimeter of the ball and to produce a longitudinally curved spherical perimeter, and then rolling the conformed race blank under sufficient pressure to relieve some of the compressive stresses in the inner periphery of said blank to elongate the bearing race evenly and permit smooth rotation between said ball and said bearing race but still confine said ball within said race.

4. The method of forming a self-aligning bearing having a bearing ball and a relatively soft, ductile metal bearing race, said ball and race being formed with corresponding curved surfaces therebetween, comprising: assembling said ball in an annular blank having an inner cylindrical surface substantially corresponding in diameter with that of the bearing ball and having opposite end portions, compressing said end portions inwardly in intimate and direct contact with said ball to deform the cylindrical blank and place the same under a stress with the outer periphery stretched and the inner periphery under compression such that said blank will conform and produce a binding engagement around the curved surface of said ball, and finally compressing the median portion of the bearing race by pressure applied radially inwardly thereto reliev-

ing some of the compression stress in the metal adjacent the inner periphery of said blank and elongating the bearing race evenly towards its opposite ends and separating evenly the bearing surfaces between the bearing ball and bearing race by an amount sufficient to permit smooth rotation therebetween but still confine said ball within said race.

5. The method of claim 4 wherein said blank is initially formed with annular end surfaces of frusto-conical configuration such that pressing said opposite end portions of said blank inwardly into contact with said ball causes said annular end surfaces to become substantially parallel planar surfaces.

6. In the method of forming a self-aligning bearing having a bearing ball and a spherical bearing race formed from a race blank, the steps comprising: coining said race blank around said ball in intimate and direct contact with said ball to produce a binding action between said ball and race blank such that the outer periphery of the race blank is placed under a stretch tension and the inner periphery is compressed to conform evenly with the perimeter of the ball and to produce a longitudinally curved spherical perimeter, and then applying sufficient pressure radially inwardly to said race blank to relieve some of the compressive stresses in the inner periphery of said blank and elongating the bearing race evenly an amount sufficient to permit smooth rotation between said ball and said bearing race but still confine said ball within said race.

7. The method of claim 6 wherein said blank is initially formed with opposite end portions, each having an annular end surface of frusto-conical configuration such that coining said opposite end portions of said blank inwardly into contact with said ball causes said annular end surfaces to become substantially parallel planar surfaces.

## PLAINTIFF'S EXHIBITS

Description	Page References in Record			
	Identified	Offered	Received	Attached
1 Potter Patent '841	187	187	187	275
2 Potter Patent '172	187	187	187	277
2-A File Wrapper of Pat. '975	188 & 772	773	773	
2-B Potter Pat. '975	188 & 773	773	773	1306
3-A Old Style Bearing Mfg. by Pltf.	191	192	192	
3-B Standard Bearing Mfg. by Pltf.	191	192	192	
4-A Bearing - Kahr HSBG-10	192	306	306	
4-B Bearing - Halfco HSB-10-SS	192	306	306	
7 Kahr Catalog 55	325	325	325	
7-A Kahr 1952 Catalog in effect prior to Kahr Catalog 55	325	326	404	
11 Prentiss Rod End	189	253	253	
12 Heim Bearing	189	319	319	
13 Messerschmidt Bearing	190	317	317	
14 Bearing - PBR	194	311	312	
15 Notice of Shipment Dated 2/17/45	260 261	263	263	1311
16 Shipping Memo Dated 1/22/43	263	264	264	1312
17 Packing List Dated 1/23/45	265	265	265	1313
17-A Blueprint No. B-10051 - 3/2/45	278	280	280	1314
18 Purchase Order Dated 1/15/45	266	267	267	1315
19 Purchase Order Change Notice Dated 2/12/45	269	270	270	1316
20 Packing List Dated 2/13/45	270	271	271	1317
21 Blueprint B-10090 - Stearns Rod End	282	282	282	1318
22 Blueprint B-10100 - Stearns Rod End	284	284	284	1319
23 Upper and Lower Dies	285	290	290	
24 Bearing Assy.	285	290	290	
25 Pltf's Catalog	295	296	296	
26 Envelope Wrapping for Pltf's Bearing	320	320	322	
27 S. W. Catalog No. 551	322	325	325	
28 Douglas Blueprint No. 3511900	326-7	333	335	1320
29 Douglas Blueprint	333	333	335	1321
30 A-D Photographs of Tolerancing Machine of S. W. Prods.	345	1188	1188	1322-1325

Description	Page References in Record			
	Identified	Offered	Received	Attached
31 Bearing - Ball Loose	351	351	352	
32 Bearing - Ball Moves Radially	351	351	352	
33 Bearing - Ball Can be Turned by Hand	352	352	352	
34 Bearing - Tight Ball	353	353	358	
35 Bearing - Immovable with Stainless Steel Race	355	358	358	
36 Bearing - Movable with Stainless Steel Race	355-6	358	358	
37 Bearing - Stainless Steel	356	358	358	
38 Bearing - Tight	356	358	358	
39 Purchase Order Dated 12/15/45	437	438	439	1326
40 Packing List Dated 3/16/45	439	440	440	1327
41 Packing List Dated 3/26/45	440	441	441	1328
42 Packing List Dated 3/31/45	441	441	441	1329
43 Purchase Order Dated 1/17/45	442	442	443	1330
43-A Copy of Letter of 1/26/45 by Hackman	442	442	443	1331
44 Douglas Blueprint No. Z3511851 - 1/17/53	443	444	444	1332
45 Pltf's Bearing - Preloaded	448	452	452	
46 Pltf's Bearing - Preloaded	448	452	452	
47 Bearing Submitted by Straub	478	479	479	
48 Kahr Bearing	478	479	479	
49 Halfco Blueprint Dated 11/30/55	479-80	481	481	1333
50 Blueprint - Kahr HSB - 3 Swage Die	479-80	481	481	1334
51 Liberated Bearing - HSBG-12S	483	489	489	
52 Unliberated Bearing - HSBG-12S	483	489	489	
53 Unassembled Ball and Race	487	489	489	
54 Bearing - Liberated by Hammering	507-8	508	508	
55 Photographs Made by Barish	525-6	532	532	1335
56 Photographs Made by Barish	525-6	532	532	1336
57 Photographs Made by Barish	525-6	532	532	1337
58 Pltf's Motion Picture	535	535	535	
59-A National Aircraft Std. NAS 36 Dec. 1942	540	541	541	1338
59-B National Aircraft Std. NAS 37 Dec. 1942	540	541	541	1339
59-C National Aircraft Std. NAS 38 Dec. 1942	540	541	541	1340

Description	Page References in Record			
	Identified	Offered	Received	Attached
60 Drawing Made by Colwell - "Chambers"	720	723	723	1341
61 Drawing Made by Colwell	758	758	758	1342
61-X Bearing From Visit to S.W. Prods. Plant	862	864		
61-Y Bearing From Visit to S.W. Prods. Plant	862	864		
62 Bearing From Visit to S.W. Prods. Plant	809	869	869	
63 Bearing From Visit to S.W. Prods. Plant	816	869	869	
64 Bearing From Visit to S.W. Prods. Plant	813	869	869	
65 Blueprint B-2400—S.W. Prod. Co.	866	869	869	1343
66 Bearing from Visit to S.W. Prods. Plant	828	869	869	
67 Bearing from Visit to S.W. Prods. Plant	829	869	869	
68 Photographs	936	936	936	
68 A-B- C-D Photographs	938	938	938	
69 Photographs	937	937	937	
70 Photographs	937	937	937	
71 Photographs	937	937	937	
72 Photographs	938	938	938	
73 Photographs	938	938	938	
74 Photographs	938	938	938	

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Def's Exh.	Description	Page References in Key:			Vol. IV
		Identified	Offered	Received	
A	Cert. File History - Pat. '841	203	203	203	
B	Cert. File History - Pat. '172	203	203	203	
C	Cert. File History - Abandoned Appln. Ser. No. 767,496	204	204	204	
D	Book of Prior Art Patents	205	205	205	1344-1425
E1-E4	Drawings Attached to Potter's Deposition	(206- 207	(206- 207		1426-1429
F	Drawing - Halfco Bearing Race Blank Dated: 11/16/51 O.K. 9/4/52	208	208	209	1430
G	Blueprint - Def's Race Ring - Dated: 12/20/54	209	209	209	1431
H	Def's Rod End Bearing: H-10	209	209	209	
I	Two-Piece Bearing: HSPG-10S	209	209	210	
J-1	Section of a Ring - Before Press Forming	210	211		
J-2	Section of a Ring - After Press Forming	210	211		1432
K	Memo - Hackman 8/23/48	254	262	262	1435
L	Prof. Colwell's Report	587	648	648	1437-1450
L-1	Drawing - Kahr Process and Potter Process	690 691	691 691	691	1467
M-1	Pltf's Formed Bearing: BLR-3015	434	435	435	
M-2	Pltf's Formed Bearing: BLR-3015	434	435	435	
N-1	Rod End Bearing	461	463	468	
N-2	Rod End Bearing	461	468	468	
N-3	Ball and Shank	463	468	468	
N-4	Male Die Used For N-1 & N-2	470	470		
N-5	Male Die Used For N-1 & N-2	470	470		
O	Sketch by Tracey	461	461	461	1468
P	Copper Bar	595	690	690	
Q	Pages 81 & 82 - "Plastic Working in Presses"	597	690	690	1469-1470
R	Drawing by Prof. Colwell	628	690	690	
S	Drawing by Prof. Colwell - Diff in Coining & Bending	639	690	690	1471



Def's Exh.	Description	Page References in Record			
		Identified	Offered	Received	Vol. IV
	Drawing by Prof. Colwell - Spring Back	665	690	690	1472
J	Sawed-Off Bearing Specimen	758	1153	1153	
V-1	Ball and Shank - From Def's Plant	831	869	869	
V-2	Completed Press - Formed Rod End	831	869	869	
V	Formed Bearing - Def's Plant	836	870	870	
K-1	Tight Bearing - Def's Plant	839	870	870	
K-2	Rolled Bearing - Def's Plant	840	870	870	
V-1	Bearing - Four Punches	845	870	871	
V-2	Bearing - One Punch	845	870	871	
	Drawing Illustrating Straub's Testimony	944	944	944	1473
A	Military Specification	920	943	943	
A-1	Military Specification	923	943	943	
B	Drawing Used by Straub	943	949	949	1474
C-1	Chamber-Type Bearings	954	954	956	
C-2	Chamber-Type Bearings	954	954	956	
E-1	Blueprint - Lockheed Bearing Assy.	959	964	971	1475
D-1	Bearing, O&S Bearing & Mfg. Co.	959	961		
D-2	Catalog, O&S Bearing & Mfg. Co.	959	961		
E-2	Blueprint - Lockheed Bearing Assy.	971	972	973	1476
F	Blueprint - Boeing Bearing Rod End	974	974	974	1477
G	Spherical Self-Align. Bearing	977	994	995	1478
H	Blueprint - Def's Bearing Assy.	981	981	981	1479
I	Empty Race	993	993	993	
J	Bearing - KSSB-12-5 (Thin Walled)	1147	1147	1147	



No. 16,143

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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AETNA STEEL PRODUCTS CORPORATION,

*Appellant,*

*vs.*

SOUTHWEST PRODUCTS Co., a corporation,

*Appellee.*

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## APPELLANT'S REPLY BRIEF.

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FILED

JUL - 1 1959

PAUL P. O'BRIEN, CLERK



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---

**APPELLANT'S REPLY BRIEF.**

---

"The first point which comes to notice is that nowhere does appellant tell us of what the invention consists. If claimant cannot make a non-technical explanation of discovery, there is some indication that invention does not exist."

*Jacuzzi Bros. v. Berkeley Pump Co., et al.*, 191 F.  
2d 632 (C. A. 9).

The fact that plaintiff cannot and does not identify a new combination of new elements performing a new result supports defendant's position that there is no invention and that the trial court did not apply correct criteria of law.

Plaintiff's reply brief does not challenge or contradict a single evidentiary fact presented in defendant's brief. The facts show that trial court's findings are erroneous and conflicting. Plaintiff's brief is therefore directed to totally irrelevant matters and contains a myriad of contradictions and improper statements. It is believed that plaintiff's reply brief is an imposition upon this Court. Instead of attempting to refute all of the items, a short reply directed to the essential elements will be of greater value to this Court.

## PLAINTIFF'S ARGUMENT EMPHASIZES INVALIDITY.

A ball and a race around it is not the invention of patent No. 2,626,841. (This is shown by Fiegel 1,693,748 [R. 1368], Skillman, Paulus 2,252,351 [R. 1397], and other prior art patents.) The public has the right to make such bearings and to utilize whatever results flow therefrom. Plaintiff cannot state that stresses in tension and compression constitute the invention because it was admitted that Potter did not invent such stresses [Admission 34, R. 92]. The original application for patent No. 2,626,841 [Ex. A] did not contain any references to such stresses [Admitted Fact 37, R. 94]. The trial court held that such stresses were not a part of the patent and not necessary [R. 1285].

So plaintiff is driven to the allegation that "the invention is in the combination of elements set forth therein (a ball and a race) including as a novel element thereof a ball race having the defined *stress pattern*" (Pltf. Br. p. 59). This is ridiculous allegation but plaintiff appears to take it very seriously; the brief contains almost fifty references to "stress pattern." The evidence and the testimony of plaintiff's expert Barish clearly shows that there really was no invention in view of the prior art.

"Q. Referring back to Taylor, and we will be almost through Mr. Barish. A. Yes, sir.

Q. Let me try to just summarize it. This spherical member is part of the die, is that correct? A. Yes, sir.

Q. And it gets into intimate and direct contact with the entire inner surface of the outer race As a result of the coining? A. Yes, sir.



Q. And at the end of the coining operation the stresses in this race ring closely resemble those which obtain in Potter. A. Yes, sir.

\* \* \* \* \*

Q. Now assuming that whoever was making this had also read the Heim patent, would it be beyond the skill of a skilled mechanic to hammer on the outside of that Taylor ring to liberate that Taylor assembly—to liberate it? A. No, it would not.” [R. 1131, 1132.]

Note that “intimate and direct contact” is the same as a vise-like grip [R. 1137]. The ball is held tight. The prior art shows the ball and the race, it shows tightly held balls [Hoern, R. 1378, line 27; Paulus 2,252,351, R. 1398, line 24]; Heim [R. 1419] was specifically directed to the problem of liberating tight bearings by hammering them. Plaintiff’s expert admits the combination is mechanical skill and not invention (35 U. S. C. §103).

To overcome this, plaintiff criticizes the disclosure of the Taylor patent and states that although Taylor states that the spherical member is very strongly held by the ring, this cannot be so. The argument is futile and contrary to fact.

Invention cannot be predicated upon a theory of stresses which perforce existed in race rings of old patents such as Fiegel [R. 1368], Skillman [R. 1371], Paulus [R. 1397] or Taylor 2,382,349 [R. 1402].

The fumbling, switching and uncertainty which characterizes plaintiff’s attempt to excuse the patents in suit also shows that:

1. The patents in suit are **invalid for ambiguity** and failure to define an invention with necessary clarity

(as required by 35 U. S. C. §112 and leading cases such as *General Electric Co. v. Wabash Co.*, 304 U. S. 364),

2. The patents in suit are **invalid in claiming more than was invented**. The old ball and old race, performing their old function are claimed. The claims are invalid under the rule of *Lincoln Engineering Co. v. Stewart-Warner*, 303 U. S. 545 at 549,
3. The patents are not infringed. The physical exhibits before the court speak for themselves. A guage can be inserted between the ball and race of bearings as they come from the forming press. Intimate and direct contact between the entire surfaces does not exist. Plaintiff insisted that complete contact was essential [R. 900-905]; **defendant does not get such contact**,

“Q. Do your spherical self-aligning bearings have a race at any time after forming, the inner surface of the race being in direct and intimate contact with the ball? A. No” [R. 975].

### **PATENTS CANNOT COVER WHAT IS IN PUBLIC DOMAIN.**

Patent No. 2,626,841 cannot cover the combination of elements eliminated from the patent by rejected and withdrawn claims.

“Claims which have been allowed cannot, by construction, be read to cover what has thus been eliminated from the patent. *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U. S. 211, 85 L. Ed. 132, 61 S. Ct. 235, Rehearing denied, 312 U. S. 654, 714. 85 L. Ed. 1143, 1144, 61 S. Ct. 727, 728.”

*Hall et al. v. Wright et al.*, 240 F. 2d 787 (C. A. 9).

Patent No. 2,626,841 cannot cover what is stated in claims 1, 2 and 5 cancelled from Exhibit A (claim 1 is set out on the chart facing p. 32 of Deft. Br.). Plaintiff admits that the claims allowed in patent No. 2,626,841 are "directed to the same combination" of a ball and race, "the only essential difference" being new matter added by amendment in March, 1950 (Pltf. Br. p. 31).

Therefore the same old combination of ball and one-piece race is not the invention—that was cancelled. The purported invention must be found in the new matter on the so-called "stress pattern." Plaintiff correctly states that this new matter is "essential" to any holding of validity. However, this hodgepodge of words was **not a part of the original invention** and is so vague as to be contrary to the statutory requirement that claims be clear and definite (35 U. S. C. §112).

"The statutory requirements of particularity and distinctness in claims is met only when they clearly distinguish what is claimed from what went before it in the art and clearly circumscribe what is foreclosed from future enterprise. \* \* \* Moreover, the claims must be reasonably clear cut to enable courts to determine whether novelty and invention are genuine."

*United Carbon Co. v. Binney Co.*, 317 U. S. 228 at 236.

Furthermore please note that this new added matter is right at the "exact point of novelty" \* \* \* and uses conveniently functional language, condemned by the Supreme Court in the *United Carbon Co.* case *supra*, and in *General Electric Co. v. Wabash Co.*, 304 U. S. 364.

“\* \* \* Inasmuch as it is well settled that one cannot have a patent for the function or effect but only for the machine which produces the same, under repeated decisions the claims are invalid because they are within this category.” (Citing many cases.)

*Thordarson Electric Manufacturing Co. v. General Transformer Corp.*, 93 F. 2d 36, followed by this Court in *Shull Perforating Co. Inc. v. Cavins, et al.*, 94 F. 2d 357 (C. A. 9).

Plaintiff admits on page 31 of its brief that:

“The descriptions relating to stresses and stress tensions and compressions and their location appearing in claims 1 and 2 of the patent (2,626,841) **were added by amendments in 1950 \* \* \*.**”

Plaintiff proudly announces that the Examiner handling the application [Ex. A, patent No. 2,626,841] did not object to the addition of this new matter on stresses and strains. Plaintiff however does not call attention to the fact that the same description on stresses and strains was also added to the divisional application [Ex. C], and the Examiner handling that application very **strenuously objected** to such introduction on the basis of new matter [see Ex. C, p. 21, Patent Office Action dated December 11, 1950].

This conclusively shows that patent No. 2,626,841 was granted by inadvertence and mistake. The Examiner handling Exhibit A had overlooked this question of new matter. This Court is not bound by an error of an administrative body.

It is submitted that patent No. 2,626,841 must be held invalid. The findings of the trial court finding invention in this patent are clearly erroneous on the evidence before this Court and admissions of plaintiff.

Consider: The only, the sole, the “essential” difference between non-invention and what the Patent Office allowed is a statement about stresses in tension and compression.

1. If “invention” is involved in these stresses—then they are essential; not obvious to one skilled in the art.
2. But they were not described in the application as filed—then they are a **material** variance and their addition in 1950 was improper and new matter.
3. Since they are “new matter” not supported by oath of applicant, the first patent No. 2,626,841 [Ex. A] is invalid.

Patent No. 2,724,172 which also employs references to stresses in tension and compression cannot be valid because it is also based upon a false premise. It employs and depends upon the stresses in tension and compression. It is either invalid because of prior use more than one year before its application was filed or it is invalid because of lack of invention. Any mechanic of normal skill would know that hitting with a hammer would loosen a member encircling another member. [See Trial Courts Comment at R. 1156]

### **PATENT NO. 2,724,172 IS ALSO INVALID.**

Plaintiff's argument fails to show that the 2,724,172 patent finds basis in the application as filed [Ex. A] for patent No. 2,626,841. The documentary proof also conclusively shows that **Exhibit A as filed did not have** the now “essential” description of stresses and strains. It may be necessary for this Court to read Exhibits A, B and C carefully, but the Supreme Court has done this in other cases.

“It will be observed that we have given particular attention to the *original* application, drawings, and models filed in the Patent Office by Thompson and Bachelder. We have deemed it proper to do this, because, if the **amended application** and model, filed by Tanner five years later, **embodied any material addition to or variance from the original**,—anything new that was not comprised in that,—such addition or variance cannot be sustained on the original application. \* \* \*

*Railway Co. v. Sayles*, 97 U. S. at 563 (wherein the plaintiff's complaint was dismissed).

In the present case the stresses and strains were not Potter's invention; they were put into the case by Potter's attorneys. The present case is controlled by *Steward v. American Lava Co.*, 215 U. S. 161, where the patent was held void because there was a variance introduced by amendment and not supported by oath.

The claims of patent No. 2,724,172 are directed to matter which differs essentially from what was in the parent case [Ex. A]. Therefore patent No. 2,724,172 and Exhibit B, is not within the purview of 35 U. S. C. §§120 and 121. Patent No. 2,724,172 must stand on its filing date of December 16, 1952. It is invalid because of prior public use prior to 1951 (35 U. S. C. §102(b)).

There is no invention in patent No. 2,274,172 (see pp. 2-3 of this reply). There is no invention over what was abandoned in Exhibit C. The non-inventive, functional variation between abandoned claim 1 of Exhibit C and claim 1 of patent No. 2,274,172 is shown on the attached sheet.

Defendant has the right to use what was in the prior art and to use mechanical skill: Defendant has the right to use what was abandoned because that is only prior art and not inventive.

1. The method of forming a self-aligning bearing having a bearing ball and a ductile bearing race,

said ball and race being formed with corresponding curved surfaces therebetween, comprising,

assembling said ball in an annular blank having an inner cylindrical surface substantially corresponding in diameter with that of the bearing ball and having opposite end portions,

compressing said end portions inwardly,

to conform and produce a binding engagement with the curved surface of said ball,

and finally compressing the median portion inwardly between the ends of the bearing race

to elongate the bearing race longitudinally toward its opposite ends

whereby the bearing surfaces between the bearing ball and race are released to permit free rotation between the ball and bearing race.

1. The method of forming a self-aligning bearing having a bearing ball and a relatively soft, ductile metal bearing race,

said ball and race being formed with corresponding curved surfaces therebetween, comprising,

assembling said ball in an annular blank having an inner cylindrical surface substantially corresponding in diameter with that of the bearing ball and having opposite end portions,

compressing said end portion inwardly in intimate and direct contact with said ball *to deform the cylindrical blank and place the same under a stress with the outer periphery stretched and the inner periphery under compression such that said blank will*

conform and produce a binding engagement around the curved surface of said ball,

and finally compressing the median portion of the bearing race by pressure applied through rolling contact

*relieving some of the compression stress in the metal and adjacent the inner periphery of said blank*

and elongating the bearing race evenly towards its opposite ends and

separating evenly the bearing surfaces between the bearing ball and bearing race by an amount sufficient to permit smooth rotation therebetween but still confine said ball within said race.

## PLAINTIFF MISREPRESENTS EFFECT OF EXHIBIT 2A.

The documentary proof before the Court irrefutably shows (and plaintiff does not deny):

(a) that chronological chart I is accurate (facing p. 8 of Deft. Br.);

(b) that the method claims solicited in divisional application [Ex. C] were finally rejected and abandoned October 1, 1951;

(c) that for 15 months [until Ex. B was filed in December, 1952], claims on the method here in suit were not before the Patent Office;

(d) that commercial use of the method here in suit took place for five years before application for patent '172 [Ex. B] was filed [Admissions, R. 996-997].

The above facts compel holding patent '172 invalid on prior public use (35 U. S. C. §102(b)) (Deft. Op. Br. pp. 49-50).

In a frantic attempt to plug up this abandonment of claims on the method here in suit and the statutory bar to patent '172, plaintiff resorts to **false representations** on pages 50-54 of its brief. Plaintiff there represents that Exhibit 2A (Application Serial No. 135,174) contained "like method claims" during this 14-15 month period. This representation is totally false; plaintiff's counsel forgets that he has a duty to the Court (as well as to his client) in making such representations.

The facts, as conclusively shown by Exhibit 2A are:

(1) The application [Ex. 2A] **does not** contain a single word of the hodgepodge about strains in tension and compression. It does not contain the new matter which was added to Exhibit A and B in March, 1950. It does not disclose the strains and stresses which appear in the claims of patent '172.



(2) The method claims solicited in Exhibit 2A were for a **different method** than that originally disclosed in Exhibit A (patent '841) and Exhibit C (abandoned) and in Exhibit B (patent '172).

(3) Exhibit 2A (patent '975) does describe a method which requires **heating the ball** to expand it (not described in '841 or '172) and described a peculiarly shaped race ring with triangular lips.

Application [Ex. 2A] **was for a different three-step process** which required the use of a race blank provided with outstanding triangular lips 10B and 10C (not shown in patents '841 or '172). Exhibit 2A as filed specifically states:

"The particular shape and presence of such lips 10B, 10C are of importance in producing the major novel results of the present invention" [Ex. 2A, p. 6, of specification as filed].

The "method" of Exhibit 2A comprised the three steps described on page 6 of the application as follows:

(1) Placing the race blank with its triangular lips into holding dies [p. 6, lines 4-11].

(2) "The second step consists in heating the ball 12 to a temperature in the neighborhood of 200°F. to expand it slightly, after which it is placed within the cylindrical opening 10A in the race member 10, as indicated in Fig. 5" [p. 6, lines 11-15 of Ex. 2A; col. 2, lines 46-50 of pat. '975].

(3) "The third step consists in applying pressure \* \* \* to deform the annular triangularly cross-sectioned lips 10B, 10C \* \* \*."

After these steps and after the ball cools, the ball is supposed to rotate freely [p. 7, lines 1-7].

This is not the method disclosed in the original application [Ex. A], which resulted in patent '841. This is not the method which is based on stresses in tension and compression (added in 1950) and stated in patent '172. Plaintiff is challenged to point out where the step of heating and expanding a ball is specified in patents '841 or '172. Plaintiff is challenged to point out wherein Exhibit 2A (or patent '975 which issued thereon) contains a description of forming a race to "place the same under a stress with the outer periphery stretched and the inner periphery under compression," as stated in claims of patent '172.

Exhibit 2A is directed to a **different** method, employing hot balls and the expansion and contraction of such balls with temperature changes. Plaintiff admitted this was a different method—plaintiff did not sue defendant on patent '975 which matured from Exhibit 2A.

Plaintiff's statement that Exhibit 2A was "directed to the method of making the bearing being claimed in Exh. A" (Pltf. Br. p. 54) is totally inconsistent with the statement that the bearing of patent '841 was dependent upon the method of patent '172 (p. 4). The two methods are different. When plaintiff states that Exhibit 2A contained "like method claims" [like in Ex. C], plaintiff is making a false representation to the court and ignoring the ball heating step.

Since Exhibit 2A contained no reference to stresses in tension and compression, it could not support the claims of patent '172. Exhibit 2A was improperly introduced into evidence over defendant's objection.

Plaintiff's argument fails. The record and facts do not support the false argument. **Plaintiff had abandoned the method here in suit** (with its abortive stresses and strains) on October 1, 1951. Such method claims of patent '172 are invalid by reason of admitted commercial public use for more than one year prior to December, 1952.

Attention is drawn to the fact that Exhibit C was abandoned for failure to reply to the final rejection of December 11, 1950 [Ex. C, p. 21]; this constituted **abandonment of the application**. The application was revived by petition [Ex. C, p. 26] granted July 9, 1951 [p. 32]. But by failing to complete the appeal to the Board of Appeals, plaintiff **abandoned the alleged invention** stated in the claims on October 1, 1951.

### ERRONEOUS FINDINGS.

Plaintiff (on p. 45 of its brief) makes a half-hearted and laughable attempt to reconcile Finding II with other findings such as Finding XX and is now driven to state that when a

“\* \* \* race is **separated** from the ball by a very **small and unifom controllable clearance** \* \* \*”  
[Finding II].

that this is “comparable to” or the same as a condition where

“\* \* \* the ball actually becomes **frozen** in the race with substantially all of the entire available adjacent surfaces in binding engagement. Due to such binding, there is a condition of **zero clearance** \* \* \*”  
[Finding XX].

Certainly a small clearance is not the same as zero clearance.

Finding XXV is also in error and irreconcilable with other findings by referring to "freezing the ball in the race member after it is formed around the ball." Plaintiff's last minute switch desires freezing of the ball to be the same as a very small clearance. This ridiculous attempt to explain the conflicting findings indicates the **total ambiguity of the entire patent** and the confusion under which the trial court rendered the decision.

All of the findings which mention the fictitious "stress pattern" are clearly in error. This stress pattern or "means" [Finding LII] upon which the patents must rely (according to plaintiff)—this stress pattern was not disclosed in Exhibit A, the application of patent No. 2,626,841 as filed. Since this "stress pattern" is the only reason why the Patent Office allowed any claims, such stress pattern is a material variation over and above the original disclosure. Such important or essential variation certainly constitutes new matter. Such an essential portion of a purported invention must be supported by an oath. But none of these requirements were met.

Every finding which mentions this fictitious stress pattern such as Findings VII, XVII, XX, XXV, L, LII, LVII and LX are subject to the same error and are not sustainable.

Finding LIV is contrary to agreed fact 37 of the pre-trial order [R. 94]. Finding LIX "the claims of the patent No. 2,626,841 find a basis in the original disclosure to the Patent Office on July 23, 1945" is clearly wrong.

Attention is again specifically called to the fact that plaintiff's own expert admitted that whether the ring has a stress pattern or not, you still generate clearance between the ball and the race when you tap or hammer the outside of the race [R. 1122]. Therefore the fictitious stress pattern is simply a hodgepodge of words which confused the Patent Office and permitted the inadvertent issue of two patents.

### INVENTION DOES NOT LIE IN MINOR MATTERS OF DEGREE.

The trial court ignored the oft repeated rule that invention cannot be predicated on minor changes in size or degree.

*Kalich v. Patterson Pacific Parchment Co.*, 137 F.  
2d 649.

The erroneous findings are filled with references to questions of degree. Each such reference is based upon the premise that the prior art had the same thing, but to a lesser degree.

"Greater load-carrying capacities" [Finding XIV].

"Much smaller controllable looseness" [Finding XXIII].

"Stronger and have more applications" [Finding XXV].

"Largest possible uniform contact" [Finding XXVI].

"Larger forces" [Finding XXIII].

"Longer period of time" [Finding XXVIII].

"Simpler" [Finding XXIX].

"More inexpensive" [Finding XXIX].

"Made smaller more inexpensively" [Finding LVII].

Reliance upon such matters of degree shows that the patents in suit are invalid and at best represent only mechanical skill but not invention. This Court discussed the difference in *Talon Inc. v. Union Slide Fastener, Inc.*, ..... F. 2d ....., and in *Rohr Aircraft Corporation et al. v. Rubber Teck, Inc., et al.*, ..... F. 2d ..... The rules stated in these two recent cases require the patents in suit herein to be held invalid. Insignificant "carrying forward" of the prior knowledge is not invention and should not saddle the public with an inequitable burden (*Cole v. Hughes Tool Co.*, 215 F. 2d 924 (C. A. 10)).

### PLAINTIFF IS OVERREACHING.

Plaintiff's brief unfairly attempts to besmirch Mr. Fred Straub upon unsupported statements by plaintiff's counsel. Mr. Straub ran a job shop and did subcontracting work for various people; one Dick Reese of Adele precision Corp. was instrumental in starting Straub on bearings [R. 500-501] as early as 1949. During October 1950 to December 1952, defendant had a license from Halfco (a separate identity not involved in the suit) under the Spangenberg patent [R. 1412]. In accordance with the **different Spangenberg method which required the use of grease** [R. 504], Straub made bearings for defendant and marked them with the Spangenberg patent number [see Ex. 4-B; R. 307]. Viewed objectively and factually, it is clear that Straub and defendant were simply exercising the right of all individuals and members of the public to engage in business. The intervening rights exercised by them in making two-piece bearings which look like the old Fiegel bearing, more than one year prior to the addition of new matter to patent '841 and to the

filing of patent '172, are further reasons for holding these patents invalid.

Plaintiff fails to call attention to the fact that Potter, Hackman and Tracy were employed at Simmonds Aero-cessories, Inc., during 1944 [R. 249; R. 454]. This company is the owner of the Chambers patent 2,382,773 [R. 1407] and Tracy knew Chambers and Allen and the bearings shown in such patent. It was this knowledge by Potter, Tracy and Hackman which lead plaintiffs to start their own bearing business. Their bearing was not original with them; **they made no invention over what is shown in the Chambers patent.** They did not even have the decency to get a license under the Chambers patent.

### **DECEPTION WAS PRACTICED UPON THE PATENT OFFICE.**

Plaintiff's brief states:

"It was not necessary and no duty whatsoever, moral or otherwise, was imposed on Potter to inform the Patent Office of any public use in 1951 when the 2,724,172 patent was filed, since the 2,724,172 patent is entitled to the July 23, 1945 filing date."

Plaintiff ignores that the Supreme Court has stated:

"The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope. \* \* \* **Those who have applications pending with the Patent Office or who are parties to patent law precedings have an uncompromising duty to report to it all facts con-**

cerning possible fraud or inequityableness underlying the applications in issue.”

*Precision Instrument Mfg. Co. v. Automotive Maintenance Machine Co.*, 324 U. S. 806.

Plaintiff **knew** when he filed Exhibit B (application for patent No. 2,724,172) that it **was not a division** of the original application Exhibit A. Plaintiff stated “ \* \* \* the present application being a continuation-in-part of my co-pending application Serial No. 767 filed August 8, 1947, now abandoned \* \* \*.” (See patent No. 2,724,172, col. 1, lines 19-20.) By using the words “**continuation-in-part**” he admitted that it was not the same as Exhibit C which had been abandoned almost fifteen months earlier. Plaintiff’s attorneys **knew at that time** that Exhibit C had been **rejected on the ground of new matter**. Plaintiff’s attorneys knew the facts but they caused Potter to send to the Patent Office an oath with Exhibit B, stating that he does not know and does not believe that this invention was ever known or used “more than one year prior to this application.” **This was false**. Plaintiff now alleges that patent No. 2,724,172 covers the same method which was being used by plaintiff in 1946.

Plaintiff’s position is totally inconsistent because on page 30 of Exhibit B, on February 22, 1954, plaintiff represents to the Patent Office that the claims being solicited in Exhibit B are “believed to distinguish in a patentable sense over the disclosure in applicant’s patent \* \* \*” (*sic*. 2,626,841).

Therefore although applicant represented to the Patent Office that Exhibit B distinguished over patent No. 2,626,841, he now is attempting to convince this Court



that the claims of patent No. 2,724,172 are for the same alleged invention as in original application [Ex. A] (patent No. 2,626,841).

The various misrepresentations made by plaintiff both to the Patent Office and to the court require application of the rules laid down by the Supreme Court in the *Precision Instrument* case quoted hereinabove. It is not to the public interest to have patents issue on misrepresentations to the Patent Office; it is not to the public interest for courts to permit patentees and their counsel to glibly change positions as occasion warrants with total disregard as to the facts involved.

### CONCLUSION.

Because of the burden of work, this Court should not be faced with the necessity of examining the detailed facts. However, when faced with generalized, erroneous findings, this Court has not hesitated to examine the facts and reverse the Trial Court.

“However, this court has not hesitated when convinced that a device showed neither novelty nor invention to so hold notwithstanding findings to the contrary by the trial court. See *Motoshaver, Inc. v. Schick Dry Shaver*, 1940, C. A. 9, 112 F. (2d) 701; *Madsen Iron Works v. Wood*, 1943, C. A. 9, 133 F. (2d) 416; *Wilson v. Byron Jackson Co.*, 1943, C. A. 9, 133 F. (2d) 644; *Schnitzer v. California Corrugated Culvert Co.*, 1944, C. A. 9, 140 F. (2d) 275. And see, *Altoona Theatres v. Tri-Ergon Corp.*, 1935, 294 U. S. 477; *Paramount Publix Corp. v. Tri-Ergon*, 1935, 294 U. S. 464; *Universal Oil Products Co. v. Globe Oil and Refining Co.*, 1944, 322 U. S.

471, 473; *Stuart Oxygen Co. v. Josephian*, 1947, C. A. 9, 162 F. (2d) 857.”

*Pointer v. Six Wheel Corp.*, 177 F. 2d 153 (C. A. 9).

Reversal is required in this case because the correct criteria of law were not applied by the trial court. Public interest and justice to defendant compel a holding that the patents are invalid and not infringed.

Dated: June 30, 1959.

Respectfully submitted,

MIKETTA & GLENNY,

By C. A. MIKETTA,

*Attorneys for Defendant-Appellant.*



No. 16145 ✓

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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RICHARD H. CLINTON,

*Appellant,*

*vs.*

JOSHUA HENDY CORPORATION, *et al.*,

*Appellees.*

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APPELLEE'S BRIEF.

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FILED

OCT 16 1958

ROBERT SIKES,

3325 Wilshire Boulevard,  
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PAUL P. O'BRIEN, CLERK

*Proctor for Appellee Joshua Hendy Corporation.*



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## APPELLEE'S BRIEF.

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### Statement of the Case.

Appellant was dispatched by his union, the Masters, Mates and Pilots, on September 17, 1954, to act as a relief mate on the vessel SS MARINE ARROW [Rep. Tr. p. 4]. He boarded the vessel and in the course of his duties determined to raise the gangway [Rep. Tr. p. 6]. There was an electric motor on the vessel for the purpose of raising the gangway and appellant pressed the button to activate this motor but it did not function [Rep. Tr. pp. 6, 16]. Appellant then obtained an emergency manual handle about thirty inches in length [Rep. Tr. p. 17] and placed it in the winch fall of the davit, such handle being for such use when the electric motor was not used [Rep. Tr. p. 17]. He wound the winch fall inboard by the use of this manual crank [Rep. Tr. p. 6]; raised the gangway two or three feet; left the manual crank in the davit winch axle where he had been cranking the davit [Rep. Tr. p. 17]; then went down on to the dock with another officer and later returned to the winch davit [Rep. Tr. pp. 17 and 18]. Appellant then attempted



to activate the electric winch again by pushing the button [Rep. Tr. pp. 10 and 18] and this time the electric winch functioned which caused the manual crank which had been left in it to move and strike appellant's knee causing the injury complained of [Rep. Tr. p. 18]. At the time of his injury no one else was involved in any of the activity at the winch and there was no one within fifteen feet of the appellant [Rep. Tr. p. 18]. As a result of his injury appellant was not fit for duty as a seaman for 29 days [Findings of Fact No. 4]. The sole proximate cause of the appellant's injury was his own negligence [Findings of Fact No. 3] and there was no negligence or unseaworthiness of the vessel which was a proximate cause of the appellant's injury [Findings of Fact No. 7].

The assignment of errors are:

1. That the trial court erred in its Finding that the sole proximate cause of the injury was appellant's own negligence.
2. That the trial court, in a prior proceeding in this action, dismissed an eighth cause of action on the ground apparently of lack of jurisdiction, and thus erred.
3. That the trial court apparently dismissed the first, second and third causes of action for lack of jurisdiction, and thus erred.
4. That the trial court erred in some prior proceeding in some dismissal in connection with some indefinite jurisdictional matter.
5. That the trial court had erred in not finding as to the status of respondent Pacific Far East Line.
6. That the trial court had erred in failing to award interest on the maintenance awarded herein.

## ARGUMENT.

Before discussing the above allegations of error it is pertinent to point out that the burden is on the appellant to show that the findings of the trier of fact are clearly erroneous. (*Watson v. Button*, 235 F. 2d 235 (9th Cir.).)

In Admiralty matters there is no longer a trial *de novo* on appeal and the Federal appellate tribunals have no greater scope of review in Admiralty actions than they have under Rule 52a of the Federal Rules of Civil Procedure (*McAllister v. United States*, 348 U. S. 19 at 20, 99 L. Ed. 20 at 24).

### First Assignment of Error.

The lower court, sitting in Admiralty, found that the sole proximate cause of appellant's injury was his own negligence [Findings of Fact No. 3]. This is substantiated by the evidence of appellant himself who testified that he had placed the manual crank in the davit winch axle, had operated the winch manually with such crank, had left the crank in the axle to go down to the dock, had returned to the winch and had pressed the button to activate it electrically while this thirty inch crank was still in it, that the natural result of the electric motor starting was to move the axle causing the crank to hit the appellant's leg causing the injury and that no one other than appellant was in the vicinity [Rep. Tr. pp. 16, 17 and 18]. Not only are the findings of the trial court in this regard not clearly erroneous, but are obviously supported by the evidence. The only object of pressing the button by the appellant was to activate the winch axle and with the crank still in the axle and the appellant standing close enough to be hit thereby the only reason-

able result, if the object of starting the motor were achieved, would be the precise thing that here happened, that is, the injury to appellant.

### **Second, Third and Fourth Assignments of Error.**

Proctor for respondent Joshua Hendy Corporation is not at all clear as to what points are relied on by appellant in these alleged errors. However, it appears that this matter has already been heard by this Honorable Court in appellate action No. 15,056, reported at 254 F. 2d 370, and no comment is deemed appropriate nor necessary.

### **Fifth Assignment of Error.**

The fifth assignment of error concerns the failure of the Court to find on the status of Pacific Far East Line, one of the respondents.

In the course of the trial the proctor for both appellees, Joshua Hendy Corporation and Pacific Far East Line, stipulated that the appellant was employed by Joshua Hendy Corporation [Rep. Tr. p. 29] and proctor for the appellant agreed that such was sufficient [Rep. Tr. p. 29]. Further, proctor for the appellees stipulated that Joshua Hendy Corporation was the owner and operator of the vessel and the employer of appellant and under those circumstances it is obvious that if appellant recovered either on the theory of unseaworthiness or negligence he would recover against Joshua Hendy Corporation. Both appellant and his proctor, Mr. Selwyn, agreed to look to Joshua Hendy Corporation for any judgment [Rep. Tr. p. 31]. There has been no showing that appellant has been prejudiced in any manner by a failure to find as to the status of Pacific Far East Line.

Accordingly, since it is well settled that a judgment may not be reversed because of any omission or commission which did not deprive the complaining party of any substantial right (*Lancaster v. Collins*, 115 U. S. 222 at 227, 29 L. Ed. 373 at 375; *Anchor Casualty Co. v. McGowan*, 168 F. 2d 323 at 325, 326), the appellant's position on this point cannot be maintained.

### **Sixth Assignment of Error.**

The failure of the court to award interest in addition to the \$232.00 maintenance judgment is cited by appellant as error.

There was no allegation in the libel (Sixth cause of action) relative to interest on any maintenance due nor was there any prayer therefor [Clk. Tr.]. On June 11, 1958, the proctors for libelant executed a Satisfaction of Judgment which was filed with the court in connection with the payment to them and appellant of the maintenance judgment of \$232.00. In appellant's motion dated June 8, 1958, for modification of the Findings of Fact and Conclusions of Law there was no mention of any interest on the maintenance. Appellee concedes that interest may be given on maintenance awards by the trial court but in the absence of any prayer, evidence, statement or request therefor, it is not clearly an abuse of discretion not to have given interest on the court's own initiative. This failure of the appellant and his counsel to object to not having received interest on the maintenance award would appear clearly to have constituted a waiver thereof when the funds in payment of the judgment were received by them and the satisfaction of such judgment given.

The state of the appellate record, insofar as the proctor for the respondents is concerned, is confused by the various appellate documents filed by the appellant. Accordingly, the appellee's proctor hereby respectfully asks permission of this Honorable Court to request a supplemental transcript of record to contain the satisfaction of judgment herein and the appellant's motion for a modification of the Findings of Fact and Conclusions of Law, as bearing on this Sixth assignment of error.

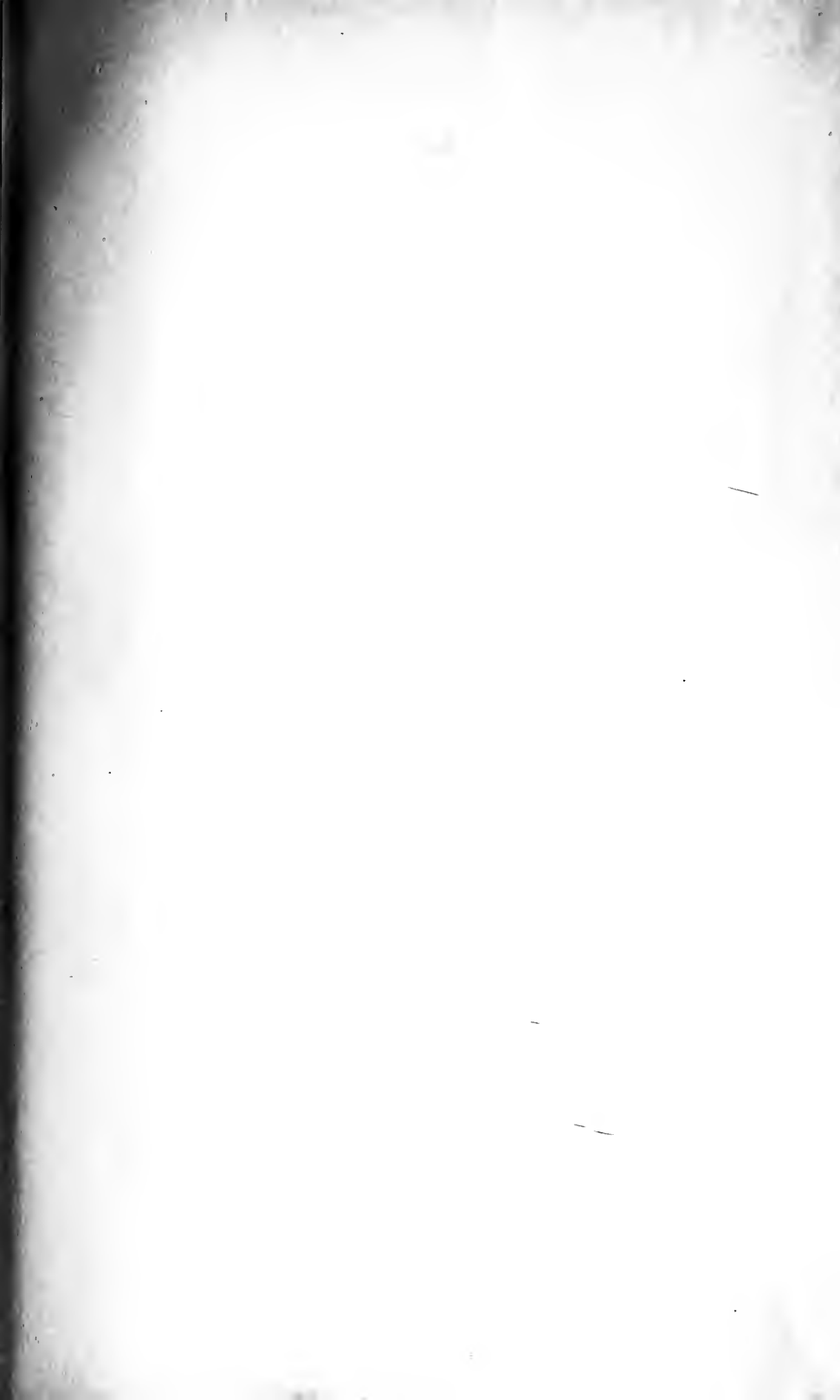
### Conclusion.

It is respectfully submitted that the judgment of the lower court herein be affirmed with regard to the Findings of Fact made thereby; but that if this Honorable Court should determine that interest should be added to the maintenance award herein, such be done by this Honorable Court and as thus increased, the judgment herein be affirmed.

Respectfully submitted,

ROBERT SIKES,

*Proctor for Appellee Joshua Hendy Corporation.*



[illegible]

